Government of Canada Gouvernement du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada

2010

Volume I

Summary Report and Financial Statements

Canada

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To His Excellency

The Right Honourable David Johnston,
C.C., C.M.M., C.O.M., C.D.,
Governor General and
Commander-in-Chief of Canada

May it please your Excellency:

I have the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 2010.

All of which is respectfully submitted.

Stockwell Day

Stockwell Day, P.C., M.P.
President of the Treasury Board and
Minister for the Asia-Pacific Gateway

Ottawa, October 28, 2010

To The Honourable Stockwell Day, P.C., M.P
President of the Treasury Board and
Minister for the Asia-Pacific Gateway

Sir:

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 2010, to be laid by you before the House of Commons.

Respectfully submitted,

Rona Ambrose

Rona Ambrose, P.C., M.P.
Receiver General for Canada

Ottawa, October 28, 2010

To The Honourable Rona Ambrose, P.C., M.P.
Receiver General for Canada

Madam:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 2010.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in three volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion and provided her observations; a discussion and analysis of the financial statements and a ten-year comparison of financial information; analyses of revenues and expenses, and of asset and liability accounts; and various other statements;

Volume II—Details of the financial operations of the Government, segregated by ministry; and

Volume III—Additional information and analyses.

Respectfully submitted,

François Guimont
Deputy Receiver General for Canada

Ottawa, October 28, 2010

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VOLUME I

2009-2010

PUBLIC ACCOUNTS OF CANADA

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INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared annually by the Receiver General, as required by section 64 of the *Financial Administration Act*. It covers the fiscal year of the Government, which ends on March 31.

The information contained in the report originates from two sources of data:

- the summarized financial transactions presented in the accounts of Canada, maintained by the Receiver General; and
- the detailed records, maintained by departments and agencies.

Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in three volumes.

Volume I presents the audited financial statements of the Government, as well as additional financial information and analyses;

Volume II presents the financial operations of the Government, segregated by ministry; and

Volume III presents supplementary information and analyses.

SECTION 1

2009-2010

PUBLIC ACCOUNTS OF CANADA

Financial Statements Discussion and Analysis

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NOTE TO READER

An overview of the financial operations of the Government of Canada is provided in the ***Annual Financial Report*** prepared by the Department of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

The ***Annual Financial Report*** is available on the Internet at http://www.fin.gc.ca/.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS

Introduction

The *Public Accounts of Canada* is a major accountability report of the Government of Canada. This section, together with the other sections in this volume and in Volumes II and III of the *Public Accounts of Canada*, provides detailed supplementary information in respect of matters reported in the audited financial statements in Section 2 of this volume. Further discussion and analysis of the Government's financial results can be found in the *Annual Financial Report of the Government of Canada – Fiscal Year 2009-2010*, available on the Department of Finance's website.

The financial statements have been prepared under the joint direction of the Minister of Finance, the President of the Treasury Board and the Receiver General for Canada. Responsibility for the integrity and objectivity of the financial statements rests with the Government. A glossary of terms used in this financial statement discussion and analysis is provided at the end of this section.

2009-2010 Financial Highlights

- The Government posted a budgetary deficit of $55.6 billion for the fiscal year ended March 31, 2010, compared to a budgetary deficit of $5.8 billion in 2008-2009. Roughly $21 billion of the $55.6-billion deficit was attributable to actions taken under Canada's Economic Action Plan.
- The Canadian economy has been significantly affected by the global economic recession. The weaker economy has resulted in more support being provided to Canadians through higher Employment Insurance (EI) benefits, as well as lower tax collections. In addition, as part of Canada's Economic Action Plan, significant additional support has been provided to Canadians in the form of personal income tax reductions, enhanced EI benefits, new infrastructure and housing funding, support for industries and communities, and actions to improve access to financing.
- The March 2010 budget set out a three-point plan for returning to budget balance over the medium term. First, the Government will follow through with the exit strategy built into the Economic Action Plan. Second, the Government will put in place targeted measures to reduce the growth rate of direct program spending. Third, the Government will undertake a comprehensive review of government administrative functions and overhead costs in order to identify opportunities for additional savings and improve service delivery.
- The $55.6-billion deficit in 2009-2010 was $1.8 billion higher than forecast in the March 2010 budget. Revenues were $4.7 billion higher than forecast. However, program expenses were $6.9 billion higher than forecast, due primarily to the accrual of $5.6 billion in Harmonized Sales Tax (HST) transitional assistance payments to the provinces of Ontario and British Columbia to be paid in 2010-2011 and 2011-2012. In the March 2010 budget forecast, transitional assistance payments were expensed in annual instalments over the 2009-2010 to 2011-2012 period, consistent with the payment schedules set out in the agreements with the provinces. Considerable judgment is required to interpret eligibility criteria surrounding transfer payments. When met, eligibility criteria establish a recipient's entitlement to receive a transfer payment, and are therefore a key element in determining the appropriate accounting treatment. In the process of finalizing the financial statements, and following discussions with the Office of the Auditor General of Canada, it was determined that the total amount of transitional assistance should be expensed in 2009-2010 as the provinces have met all eligibility criteria to receive the transfers. Absent the impact of this accounting change, the deficit would have been $3.8 billion lower than forecast in the March 2010 budget.
- The accumulated deficit (the difference between total liabilities and total assets) stood at $519.1 billion at March 31, 2010. The accumulated deficit-to-GDP (gross domestic product) ratio was 34.0 percent, up 5.0 percentage points from a year earlier. Despite this increase, the accumulated deficit-to-GDP ratio at March 31, 2010 stood at roughly half of its peak of 68.4 percent at March 31, 1996.
- According to the Organisation for Economic Co-operation and Development (OECD), Canada's total government net-debt-to-GDP ratio stood at 28.9 percent in 2009. This is the lowest level amongst G7 countries, which the OECD estimates will record, on average, a net-debt-to-GDP ratio of 60.3 percent for that same year.

Discussion and Analysis

Economic Highlights [1]

The Canadian economy has been significantly affected by the deepest and most synchronized global economic recession since the 1930s. The global financial crisis of late 2008 and early 2009, together with a sharp decline in global trade, reduced Canadian exports and weakened business and consumer confidence, significantly lowering employment and output. Employment in Canada fell by nearly 420,000 during that period, while the unemployment rate rose to 8.7 percent. Output also decreased significantly in the last quarter of 2008 and in the first half of 2009.

Nevertheless, Canada weathered the global recession better than most other major industrialized countries. This reflects Canada's financial, economic and fiscal strengths, together with substantial support provided by the Economic Action Plan. The decline in Canadian real GDP over the course of the global recession was the smallest of all G7 countries.

The economic recovery in Canada began in the third quarter of 2009, led by a solid recovery in domestic demand. Real GDP increased by 0.9 percent in the third quarter of 2009 and 4.9 percent in the fourth quarter of 2009. In the first quarter of 2010, real GDP growth strengthened further, increasing to 5.8 percent - the strongest quarterly growth rate in ten years. The recovery continued in the second quarter of 2010, as output grew by 2.0 percent.

As a result of Canada's stronger economic performance both during the recession and over the recovery, the level of output has virtually returned to its pre-recession level by the second quarter of 2010, the only G7 country to have done so.

This solid economic recovery has also supported a recovery in Canada's labour markets. Since July 2009, employment has increased by close to 430,000, offsetting all of the jobs lost during the recession, and the unemployment rate has declined from the peak of 8.7 percent to 8.1 percent in August 2010.

Despite this strong performance, the level of economic activity in 2009 was considerably lower than in 2008. Real GDP declined by 2.5 percent in 2009. Due to this decline in real GDP together with a sharp decline in global commodity prices, nominal GDP (the broadest single measure of the Government's tax base) fell by 4.5 percent in 2009. This sharply reduced government revenues and increased cyclically sensitive government expenditures, such as EI benefits, in 2009-2010.

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(1) This section incorporates data available up to and including September 20, 2010.

Canada's Economic Action Plan

Canada's relative economic and fiscal strength has allowed the Government to put in place one of the most comprehensive economic stimulus packages in the world. To protect jobs and income of Canadians, the Government introduced Canada's Economic Action Plan (EAP) in January 2009–an extraordinary response, taken in co-operation with other G20 governments, to the deepest and most synchronized global recession since the 1930s. The Government also put in place measures to provide up to $200 billion through the Extraordinary Financing Framework to support lending to Canadian households and businesses. The EAP:

- Reduces taxes permanently.
- Helps the unemployed through enhanced EI benefits and training programs.
- Avoids layoffs by enhancing the EI work-sharing program.
- Provides a massive injection of infrastructure spending and provided additional support to the housing sector through the Home Renovation Tax Credit.
- Helps create the economy of tomorrow by improving infrastructure at colleges and universities and supporting research and technology.
- Supports industries and communities most affected by the global downturn.
- Improves access to and the affordability of financing for Canadian households and businesses.

These measures are being implemented across a large number of departments, agencies and Crown corporations including: Canada Mortgage and Housing Corporation (investments in social housing for Canadians); the Canada Revenue Agency (tax relief for Canadians including personal income tax reductions and the Home Renovation Tax Credit); Foreign Affairs and International Trade (support for the automotive sector); Human Resources and Skills Development (increased investments in labour market training delivered by provinces and territories, and enhancements to EI benefits, such as the extension of regular benefits by an extra five weeks); Indian Affairs and Northern Development (construction and renovation of schools, water systems, housing and other critical infrastructure); Industry (investments in knowledge infrastructure and community transition funding); and Office of Infrastructure of Canada (investments in provincial, territorial and municipal infrastructure, including the Infrastructure Stimulus Fund and the Green Infrastructure Fund).

Given the importance of timely stimulus, the Government has taken unprecedented action to implement the EAP as quickly and effectively as possible, while ensuring the effective stewardship of taxpayer dollars.

Progress in Implementing Canada's Economic Action Plan

	2009-2010 Impact of EAP
	(accrual basis – in billions of dollars)
Reducing the tax burden for Canadians	3.1
Helping the unemployed	3.7
Building infrastructure to create jobs	5.4
Creating the economy of tomorrow	1.9
Supporting industries and communities	6.8
Total - Federal support	**21.0**

Note: Totals may not add due to rounding.

Actions taken in the first year of the EAP account for roughly $21 billion of the 2009-2010 deficit of $55.6 billion. Of the amounts recorded under the EAP, tax reductions account for $7.7 billion, while expenditure measures account for $13.3 billion.

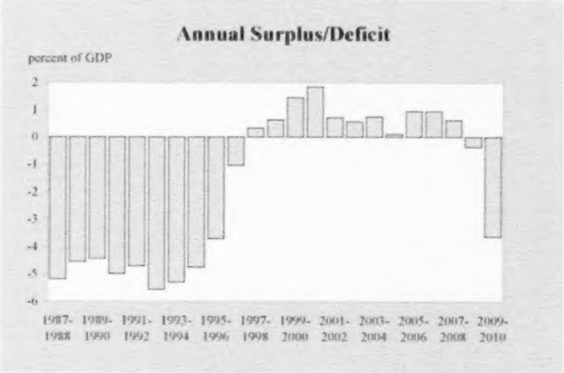
The $21 billion of EAP measures in 2009-2010 are recorded on an accrual basis. This amount is lower than the cash value of the EAP due largely to investments in federal assets (for which budgetary costs are amortized over a number of years), loans to third parties (for which budgetary costs are only recorded to the extent there is a risk of loss), and the timing of the Home Renovation Tax Credit. The five reports to Canadians on the EAP have focused on the cash value of the Plan because this is the best measure for assessing the impact of the stimulus on the economy.

The Government has reported regularly to Canadians on the implementation of the Plan. Canadians can learn more about individual elements of the Plan and follow implementation progress at www.actionplan.gc.ca.

The Budgetary Balance

Reflecting the impact of the global economic recession and the stimulus measures introduced to help mitigate its impact, the Government posted a budgetary deficit of $55.6 billion in 2009-2010.

The following graph shows the Government's budgetary balance since 1987-1988. To enhance the comparability of results over time and across jurisdictions, the budgetary balance and its components are often presented as a percentage of GDP.



The 2009-2010 budgetary deficit of $55.6 billion compares to a deficit of $5.8 billion in 2008-2009. Revenues were down $14.5 billion, or 6.2 percent, from the prior year. Personal income tax revenues fell $12.1 billion, reflecting weak growth in personal income and significant tax reductions under the EAP, including the Home Renovation Tax Credit. Declines were also recorded in non-resident income tax revenues, which decreased $1.0 billion, customs import duties, which decreased $0.5 billion, and other program revenues, which decreased $2.7 billion. These decreases were partially offset by a $0.9-billion increase in corporate income tax revenues and a $1.2-billion increase in Goods and Services Tax (GST) revenues.

2009-2010 Financial Highlights

	2009-2010	2008-2009
	(in billions of dollars)	
Statement of Operations		
Revenues	218.6	233.1
Expenses—		
Program expenses	244.8	207.9
Public debt charges	29.4	31.0
Total expenses	274.2	238.8
Annual deficit	***55.6***	***5.8***
Percentage of GDP	*3.6%*	*0.4%*
Statement of Financial Position		
Liabilities—		
Interest-bearing debt	762.8	710.2
Other	120.5	114.0
Total liabilities	883.3	824.2
Financial assets	300.8	298.9
Net debt	***582.5***	***525.2***
Non-financial assets	63.4	61.5
Accumulated deficit	***519.1***	***463.7***
Percentage of GDP	*34.0%*	*29.0%*

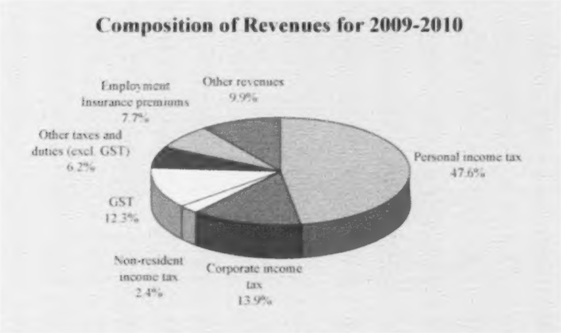
Note: Totals may not add due to rounding.

Expenses were up $35.4 billion, or 14.8 percent, from the prior year. This increase is largely attributable to measures directly related to the recession, such as the EAP and the impact of a weaker economy on cyclically sensitive expenses such as EI benefits, as well as increased transfers to other levels of government, which includes HST transitional assistance to the provinces of Ontario and British Columbia and legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization. The growth in expenses was also attributable to increased pension and other benefit expenses, reflecting the amortization of estimation losses arising from the 2008-2009 annual actuarial valuations of the Government's obligations for public service pensions and other employee future benefits, as well as the reclassification of Canadian Commercial Corporation from an enterprise Crown corporation to a consolidated Crown corporation. For 2009-2010, this reclassification has resulted in increases to both Crown corporation revenues and Crown corporation expenses, with no overall impact on the budgetary balance. This reclassification is considered to better reflect the substance of the operations of the Canadian Commercial Corporation.

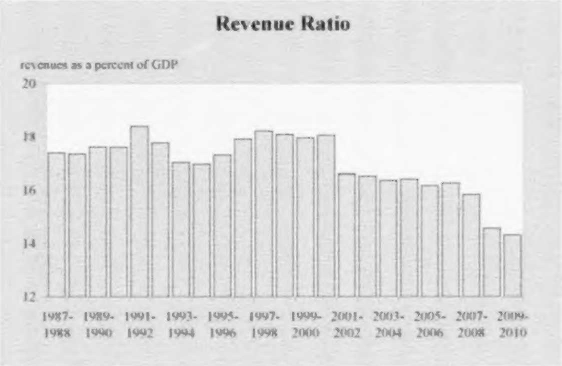
Budget 2010 set out a three-point plan for returning to budget balance over the medium term. First, the Government will follow through with the exit strategy built into the EAP. Second, the Government will put in place targeted measures to reduce the growth rate of direct program spending. Third, the Government will undertake a comprehensive review of government administrative functions and overhead costs in order to identify opportunities for additional savings and improve service delivery.

Revenues

The largest source of federal revenues is personal income tax revenues, which accounted for 47.6 percent of total revenues in 2009-2010. Corporate income tax revenues accounted for 13.9 percent of revenues in 2009-2010, up from 12.6 percent in 2008-2009, but well below the levels reached in the years immediately preceding the recession, due both to the weaker economy and significant corporate income tax relief. EI premium revenues represented 7.7 percent of revenues in 2009-2010. The Government has kept the EI premium rate stable at $1.73 per $100 of insurable earnings for 2009 and 2010. Other taxes and duties averaged about 20 percent of total revenues between 1990-1991 and 2005-2006, but began to decline as a share of total revenues in 2006-2007, due to the impact of two consecutive 1-percentage-point cuts to the GST rate effective July 1, 2006 and January 1, 2008. In 2009-2010, other taxes and duties made up 18.6 percent of total revenues. Other revenues were 9.9 percent of total revenues in 2009-2010, down 0.7 percentage points from a year earlier. In 2008-2009, the share of total revenues represented by other revenues reached its highest level since 1992-1993, due largely to an increase in revenues related to the Extraordinary Financing Framework and the sharp decline in personal income tax revenues.



The revenue ratio - revenues as a percentage of GDP - compares the total of all federal revenues to the size of the economy. This ratio is significantly influenced by economic developments and, absent policy changes, tends to decline during economic downturns and to increase during recoveries, reflecting the progressive nature of the tax system and the cyclical nature of capital gains. The ratio has been declining gradually since 2001-2002, and is down significantly from an average of 18 percent over the period 1996-1997 to 2000-2001. This decline is due primarily to tax reduction measures. The ratio stood at 14.3 percent in 2009-2010, down 0.3 percentage points from 2008-2009, reflecting a weaker economy and the impact of tax relief measures announced in the 2009 budget.



Revenues Compared to 2008-2009

The following table compares the actual results for revenues for 2009-2010 to 2008-2009.

Revenues

	2009-10	2008-09	Change Absolute	Change Percent
	(in millions of dollars)			%
Income tax revenues—				
Personal	103,947	116,024	-12,077	-10.4
Corporate	30,361	29,476	885	3.0
Non-resident	5,293	6,298	-1,005	-16.0
Total	139,601	151,798	-12,197	-8.0
Other taxes and duties—				
Goods and services tax	26,947	25,740	1,207	4.7
Energy taxes	5,178	5,161	17	0.3
Customs import duties	3,490	4,036	-546	-13.5
Other excise taxes and duties	4,958	4,869	89	1.8
Total	40,573	39,806	767	1.9
Employment Insurance premiums	16,761	16,887	-126	-0.7
Other revenues	21,665	24,601	-2,936	-11.9
Total revenues	**218,600**	**233,092**	**-14,492**	**-6.2**

Total revenues declined $14.5 billion in 2009-2010, due primarily to lower personal income tax revenues, non-resident income tax revenues and other program revenues. These decreases were partially offset by higher GST and corporate income tax revenues.

Personal income tax revenues, the largest component of revenues, declined by $12.1 billion, or 10.4 percent, in 2009-2010. This decline reflected significant tax reductions under the EAP, including the Home Renovation Tax Credit, as well as very weak growth in the tax base. In addition, 2008-2009 results were boosted by a refinement of the tax accrual estimation methodology to address an understatement of personal income tax revenues dating from the adoption of accrual accounting in 2002-2003. These refinements had a one-time impact of raising personal income tax revenues in 2008-2009 by about $2.9 billion, which contributed to the decline in 2009-2010.

Corporate income tax revenues increased by $0.9 billion, or 3.0 percent, in 2009-2010, in spite of a sharp contraction in corporate profits in 2009 and ongoing income tax reductions. The difference between lower profits and higher collections is only partly explained by some one-time factors. For example, whereas foreign exchange movements lowered corporate income tax liabilities last year, a strengthening of the Canadian dollar resulted in higher liabilities for 2009-2010.

Non-resident income tax revenues were down $1.0 billion, or 16.0 percent, in 2009-2010, reflecting lower interest and dividend payments to non-residents.

Other taxes and duties increased $0.8 billion, or 1.9 percent, from the prior year, driven by a $1.2-billion, or 4.7-percent, increase in GST revenues, reflecting higher consumption. Other excise taxes and duties increased by $0.1 billion, or 1.8 percent, energy taxes increased by $17 million, or 0.3 percent, and customs import duties declined by $0.5 billion, or 13.5 percent.

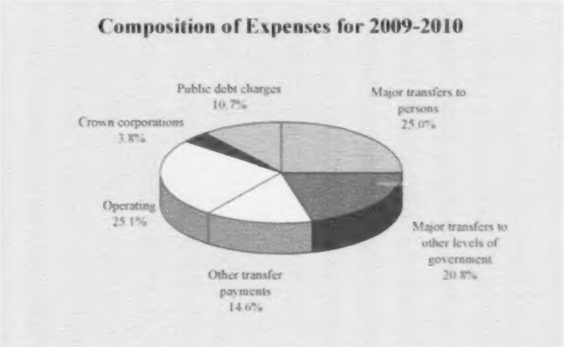
EI premium revenues decreased by $0.1 billion, or 0.7 percent, from the previous year, reflecting the fall in employment and the fact that the premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.

Other revenues declined by $2.9 billion, or 11.9 percent, in 2009-2010. This decrease was driven by a decline of $2.7 billion in other program revenues, due mainly to foreign exchange losses recorded on foreign currency loans in support of development and trade and to a decline in receipts under the Atlantic Offshore Revenue Accounts. Revenue under the Atlantic Offshore Revenue Accounts is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance. Crown corporation revenues decreased by $0.1 billion, as increases in revenues resulting from the reclassification of Canadian Commercial Corporation and increased interest revenues on loans provided to Crown corporations under the Government's consolidated borrowing framework were more than offset by declines in the profits of enterprise Crown corporations and other government business enterprises. The decline in profits over the prior year is due in large part to an unrealized loss on derivatives held under the Insured Mortgage Purchase Program (IMPP) administered by Canada Mortgage and Housing Corporation (CMHC) and a decrease in investment revenues recorded by the Bank of Canada.

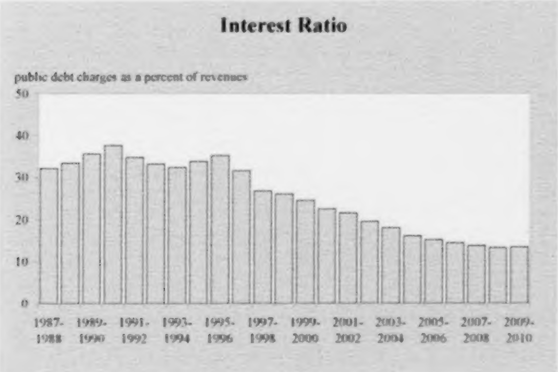
Expenses

The two largest major components of expenses in 2009-2010 were ministry expenses and major transfers to persons, which each accounted for roughly 25 percent of total expenses. Ministry expenses include the operating expenses of the more than 100 government departments and agencies, including National Defence. Major transfers to persons consist of elderly benefits, EI benefits, the Canada Child Tax Benefit and the Universal Child Care Benefit. Major transfers to other levels of government (Canada Health Transfer and Canada Social Transfer, fiscal arrangements and other transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs) made up 20.8 percent of total expenses in 2009-2010. Other transfer payments, which include transfers to individuals, businesses, and other organizations and groups, made up 14.6 percent of expenses, while Crown corporations accounted for 3.8 percent of total expenses. Public debt charges made up the remaining 10.7 percent of total expenses in 2009-2010, down from 13.0 percent in 2008-2009.

There has been a large shift in the composition of total expenses since the early 1990s. Public debt charges were the largest component for most of the 1990s, given the large and increasing stock of interest-bearing debt and high average effective interest rates on that stock of debt. With reductions in the stock of interest-bearing debt and a decline in interest rates over the 1997-1998 to 2007-2008 period, the share of public debt charges in total expenses fell over 15 percentage points from a high of nearly 30 percent of total expenses in 1996-1997. While the stock of interest-bearing debt increased significantly during 2008-2009 and 2009-2010 due to the surge in financial requirements stemming from the EAP, the Extraordinary Financing Framework, and borrowings for Crown corporations under the consolidated borrowing framework, the share of public debt charges fell a further 3.6 percentage points over the two years due to declines in interest rates.


Composition of Expenses for 2009-2010

The interest ratio (public debt charges as a percentage of revenues) has been decreasing in recent years, falling from 37.6 percent in 1990-1991 to 13.3 percent in 2008-2009. The ratio increased slightly to 13.5 percent in 2009-2010, reflecting lower government revenues. This ratio means that in 2009-2010, the Government spent roughly 14 cents of every revenue dollar on interest on the public debt. This is money that is required to meet the Government's ongoing debt-financing obligations. The lower the ratio, the more flexibility the Government has to address the key priorities of Canadians. As well as lowering debt charges - which has freed up resources for more productive uses - past reductions in the public debt have given the Government flexibility to deal with the economic slowdown.


Interest Ratio

Expenses Compared to 2008-2009

Total expenses amounted to $274.2 billion in 2009-2010, up $35.4 billion, or 14.8 percent, from 2008-2009. The next table shows the sources of that increase.

Increases in Expenses in 2009-2010

	(in billions of dollars)
Measures directly related to recession	
Canada's Economic Action Plan	13.3
Increased Employment Insurance benefits (excluding Budget 2009 EAP enhancements)	3.5
	16.8
Transfers to other levels of government in support of health, social programs, Equalization and HST transtional assistance	10.5
Total support for Canadians and other levels of governement	27.3
Other	
Increased pension and benefit costs related to amortization of losses	1.7
Reclassification of Canadian Commercial Corporation	1.5
Other expenses	4.8
	8.0
Total increase in expenses	35.4

Note: Totals may not add due to rounding.

The increase in expenses is largely attributable to measures directly related to the recession, such as the EAP and the impact of a weaker economy on cyclically sensitive expenses such as EI benefits, as well as increased transfers to other levels of government, which includes HST transitional assistance to the provinces of Ontario and British Columbia, and legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization. The growth in expenses was also attributable to increased pension and other benefit expenses, reflecting the amortization of estimation losses arising from the 2008-2009 annual actuarial valuations, as well as the reclassification of Canadian Commercial Corporation. As previously mentioned, the reclassification of Canadian Commercial Corporation in 2009-2010 has resulted in increases to both Crown corporation revenues and Crown corporation expenses, with no overall impact on the budgetary balance. Other expenses only accounted for only $4.8 billion or 14 percent of the increase in expenses.

The following table compares the actual results for total expenses for 2009-2010 to 2008-2009.

Expenses

			Change	
	2009-10	2008-09	Absolute	Percent
	(in millions of dollars)			%
Transfer payments—				
Major transfers to persons—				
Elderly benefits	34,653	33,377	1,276	3.8
Employment Insurance benefits	21,586	16,308	5,278	32.4
Children's benefits	12,340	11,901	439	3.7
Total	68,579	61,586	6,993	11.4
Major transfer payments to other levels of government—				
Federal transfer support for health and other social programs	35,678	33,327	2,351	7.1
Fiscal arrangements and other transfers	24,015	16,162	7,853	48.6
Alternative payments for standing programs	-2,703	-2,974	271	-9.1
Total	56,990	46,515	10,475	22.5
Other transfer payments	39,892	30,192	9,700	32.1
Total transfer payments	165,461	138,293	27,168	19.6
Other program expenses—				
Crown corporations	10,428	8,066	2,362	29.3
Ministries	68,895	61,498	7,397	12.0
Total other program expenses	79,323	69,564	9,759	14.0
Total program expenses	**244,784**	**207,857**	**36,927**	**17.8**
Public debt charges	29,414	30,990	-1,576	-5.1
Total expenses	**274,198**	**238,847**	**35,351**	**14.8**

Major transfers to persons increased by $7.0 billion in 2009-2010, largely due to higher EI and elderly benefits. The $5.3-billion increase in EI benefits reflects higher unemployment, as well as benefit enhancement measures announced as part of the EAP. The $1.3-billion increase in elderly benefits reflects growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased $0.4 billion, due in part to increases to the National Child Benefit and the Canada Child Tax Benefit announced in the January 2009 budget.

Major transfers to other levels of government increased by $10.5 billion over the previous year, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, $5.9 billion in transitional assistance to the provinces of Ontario and British Columbia related to their decision to adopt the HST, as well as the doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009. Alternative Payments for Standing Programs, which are netted against major transfers to other levels of government, decreased by $0.3 billion in 2009-2010, resulting in a corresponding increase in transfer payments. Alternative Payments for Standing Programs are a recovery from the Province of Quebec for an additional tax point transfer (13.5 points) above and beyond the Canada Health Transfer and Canada Social Transfer tax point transfers. The $0.3-billion decrease in this recovery was due to a decrease in the value of personal income tax points in 2009-2010 compared to 2008-2009.

Other transfer payments, which include transfers to First Nations and Aboriginal peoples, assistance to farmers, students and businesses, support for research and development, and foreign aid and international assistance, increased by $9.7 billion, or 32.1 percent, over the prior year. This growth mainly reflects increases in international assistance, increased support for students, workers and persons with disabilities, increased transfers related to health, and increased infrastructure funding and assistance for the automotive industry announced under the EAP. These increases were partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased from $69.6 billion in 2008-2009 to $79.3 billion in 2009-2010, up $9.8 billion, or 14.0 percent. This spending component consists of operating expenses of Crown corporations, departments and agencies, including National Defence, as well as expenses related to the ongoing assessment of the Government's liabilities. The $9.8-billion increase reflects investments in federal infrastructure projects under the EAP, the impact of previous budget measures, such as the Canada First Defence Strategy, growth in the ongoing cost of operations, as well as the first year of amortization of significant estimation losses arising from the 2008-2009 annual actuarial valuations of the Government's obligations for pension and other future benefit plans. Annual actuarial valuations are prepared using assumptions that are based on the Government's best estimates. Estimation gains and losses arise when actual experience varies from assumptions. The losses experienced in 2008-2009 are due in part to a decline in the market value of the Government's pension plan assets as a result of a deterioration in credit market conditions. These adjustments are amortized over the estimated average remaining service lives of plan members, which represent periods ranging from 5 to 23 years according to the plan in question. Crown corporation expenses increased by $2.4 billion in 2009-2010, due primarily to the reclassification of Canadian Commercial Corporation and increased social housing assistance provided by CMHC under the EAP.

Comparison of Actual Results to Budget Projections

Comparison to March 2010 Budget Plan

The 2009-2010 deficit was $1.8 billion higher than the $53.8-billion deficit forecast in the March 2010 budget. Revenues were $4.7 billion higher than expected, largely reflecting higher-than-expected corporate income tax revenues. Program expenses were $6.9 billion higher than forecast, largely reflecting the accrual of $5.6 billion in HST transitional assistance payments to Ontario and British Columbia to be paid in 2010-2011 and 2011-2012. In the March 2010 budget forecast, transitional assistance payments were expensed in annual instalments over the 2009-2010 to 2011-2012 period, consistent with the payment schedules set out in the agreements with the provinces. Considerable judgment is required to interpret eligibility criteria surrounding transfer payments. When met, eligibility criteria establish a recipient's entitlement to receive a transfer payment, and are therefore a key element in determining the appropriate accounting treatment. In the process of finalizing the financial statements, and following discussions with the Office of the Auditor General of Canada, it was determined that the total amount of transitional assistance should be expensed in 2009-2010 as the provinces have met all eligibility criteria to receive the transfers. Absent the impact of this accounting change, the deficit would have been $3.8 billion lower than forecast in the March 2010 budget. The remaining difference between actual and forecast program expenses is due mainly to the reclassification of Canadian Commercial Corporation (CCC) and higher-than-expected bad debt expense related to tax receivables. These increases in expenses were partially offset by public debt charges which were $0.5 billion lower than expected, due largely to lower-than-expected effective interest rates.

Comparison of 2009-2010 Outcomes to March 2010 Budget

	Budget	Actual	Difference
	(in billions of dollars)		
Revenues	213.9	218.6	4.7
Expenses —			
Program expenses —			
HST transitional assistance	0.3	5.9	5.6
Reclassification of CCC	0.0	1.5	1.5
Other program expenses	237.6	237.4	-0.2
Total program expenses	237.8	244.8	6.9
Public debt charges	29.9	29.4	-0.5
Total expenses	267.7	274.2	6.5
Annual deficit	**53.8**	**55.6**	**1.8**

Note: Totals may not add due to rounding.

Comparison to January 2009 Budget Plan

As mentioned above, the level of economic activity in 2009 was considerably lower than in 2008. It was also well below expectations at the time of the January 2009 budget. In light of the downside risks to the economic outlook in early 2009, the Government judged it appropriate, for budget planning purposes, to adjust downward by 1.2 percent the private sector forecast for nominal GDP, in Budget 2009. As a result, the planning assumption in Budget 2009 was for a contraction of 2.7 percent in nominal GDP in 2009. However, the 4.5-percent decline in nominal GDP in 2009 was larger than the decline assumed in Budget 2009. As a result, the 2009-2010 budgetary deficit was $21.9 billion higher than the $33.7-billion deficit forecast in the January 2009 budget, primarily reflecting this larger-than-expected decline in economic activity.

Revenues were $6.3 billion, or 2.8 percent, lower than forecast in the January 2009 budget, reflecting lower-than-projected personal income tax and other revenues, partially offset by higher-than-projected corporate income tax and GST revenues. The weakness in personal income tax revenues, which were $6.3 billion lower than projected, reflects slower-than-projected growth in personal taxable income as a result of the recession. Other revenues were $4.8 billion lower than projected, reflecting lower interest revenues from the IMPP than expected at the time of Budget 2009, resulting from lower-than-expected take-up of the program, foreign exchange losses recorded on foreign currency loans in support of development and trade, an unrealized loss on derivatives held under the IMPP, and lower-than-expected revenues under the Government's Corporate Asset Management Review. These decreases were partially offset by the increase in other revenues resulting from the reclassification of Canadian Commercial Corporation.

For 2009-2010, total expenses were $15.6 billion higher than projected in the January 2009 budget, with program expenses $15.7 billion higher than forecast and public debt charges $0.1 billion lower than forecast. The higher-than-expected program expenses are largely attributable to an increase in transfer payments, primarily reflecting higher EI benefit payments, the accrual of transitional assistance to Ontario and British Columbia related to the provinces' decisions to adopt the HST framework, and support for the automotive industry. Other program expenses were $2.3 billion, or 3.0 percent, higher than forecast. Within other program expenses, Crown corporation expenses were $1.3 billion higher than expected, largely reflecting the reclassification of Canadian Commercial Corporation, while operating expenses of departments and agencies were $1.0 billion higher than forecast, due mainly to increased pension and benefit costs, reflecting the amortization of estimation losses arising from the 2008-2009 annual actuarial valuations of the Government's obligations for public service pensions and other employee future benefits.

Comparison of 2009-2010 Outcomes to January 2009 Budget

	Budget	Actual	Difference
	(in millions of dollars)		
Revenues			
Income tax revenues	141,538	139,601	-1,937
Other taxes and duties	40,113	40,573	460
Employment Insurance premiums	16,795	16,761	-34
Other revenues	26,459	21,665	-4,794
Total revenues	**224,905**	**218,600**	**-6,305**
Expenses—			
Program expenses			
Major transfers to persons	66,350	68,579	2,229
Major transfer payments to other levels of government	50,065	56,990	6,925
Other transfer payments	35,694	39,892	4,198
Other program expenses	76,976	79,323	2,347
Total program expenses	**229,085**	**244,784**	**15,699**
Public debt charges	**29,500**	**29,414**	**-86**
Total expenses	**258,585**	**274,198**	**15,613**
Annual deficit	**33,680**	**55,598**	**21,918**

Accumulated Deficit

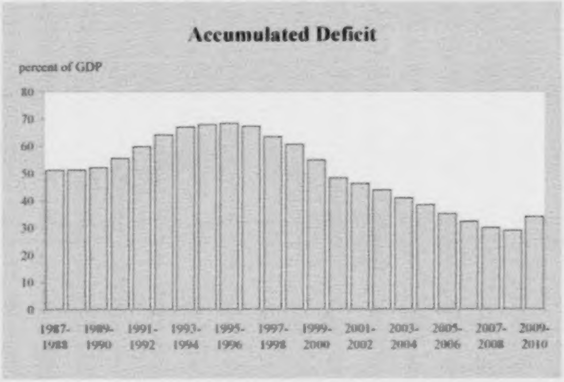
The accumulated deficit is the difference between the Government's total liabilities and total assets. The annual change in the accumulated deficit represents the annual budgetary balance plus any gains or losses recognized in other comprehensive income. Other comprehensive income represents certain unrealized gains and losses on financial instruments reported by enterprise Crown corporations and other government business enterprises. Based on the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, other comprehensive income is not included in the Government's annual budgetary balance, but is instead recorded directly to the Government's Statement of Accumulated Deficit and Statement of Change in Net Debt.

Accumulated Deficit

	2009-2010	2008-2009	Difference
	(in millions of dollars)		
Accumulated deficit at beginning of year	**463,710**	**457,637**	**6,073**
Annual deficit	55,598	5,755	49,843
Other comprehensive income (-) or loss	-211	318	-529
Accumulated deficit at end of year	**519,097**	**463,710**	**55,387**

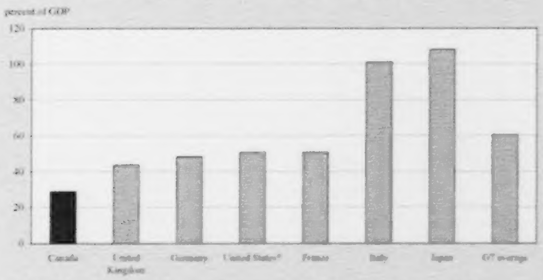
The accumulated deficit increased by $6.1 billion in 2008-2009 and by $55.4 billion in 2009-2010, reflecting the impact of the global economic recession and the stimulus measures introduced to help mitigate its impact. The $55.4-billion increase in the accumulated deficit in 2009-2010 reflects the $55.6-billion budgetary deficit, partially offset by $0.2 billion in other comprehensive income. The $0.2 billion in other comprehensive income reflects a $0.4-billion increase in the market value of enterprise Crown corporations' and other government business enterprises' holdings of financial assets classified as available for sale, partially offset by a $0.2-billion decrease in the fair value of derivative financial instruments used in hedging activities.

As a percentage of GDP, the accumulated deficit stood at 34.0 percent at March 31, 2010, roughly half of its post-World War II peak of 68.4 percent at March 31, 1996.



Canada Has the Lowest Total Government Net Debt Ratio Among G7 Countries

G7 Total Government Net Debt-to-GDP Ratio, 2009



Sources: OECD Economic Outlook, No. 87 (May 2010); Federal Reserve, Flow of Funds Accounts of the United States (June 2010); Department of Finance calculations.
* Adjusted to exclude certain government employee pension liabilities to improve comparability with other countries' debt measures.

According to the OECD, Canada's total government net debt-to-GDP ratio stood at 28.9 percent in 2009. This is by far the lowest level amongst G7 countries, which the OECD estimates will record, on average, a net debt-to-GDP ratio of 60.3 percent for that same year.

Total government net debt as measured by the OECD includes the liabilities net of financial assets of the federal, provincial-territorial and local governments, and well as those of the Canada and Quebec Pension Plans. For international comparability, the OECD also excludes the estimated value of unfunded public sector pension liabilities.

As noted above, the accumulated deficit is the difference between the Government's total liabilities and total assets. Total liabilities include interest-bearing debt and accounts payable and accrued liabilities. Total assets include both financial and non-financial assets, the latter consisting primarily of capital assets. The following sections provide more detail on each of these components.

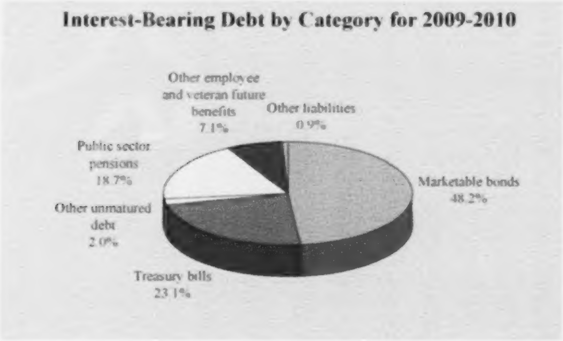
Statement of Financial Position

	2009-2010	2008-2009	Difference
	(in millions of dollars)		
Liabilities			
Accounts payable and accrued liabilities	120,525	113,999	6,526
Interest-bearing debt—			
Unmatured debt	559,126	514,020	45,106
Pension and other future benefits	197,070	190,220	6,850
Other liabilities	6,587	5,923	664
Total	762,783	710,163	52,620
Total liabilities	883,308	824,162	59,146
Financial assets			
Cash and accounts receivable	101,205	122,147	-20,942
Foreign exchange accounts	46,950	51,709	-4,759
Loans, investments and advances (1)	152,681	125,093	27,588
Total financial assets	300,836	298,949	1,887
Net debt	***582,472***	***525,213***	***57,259***
Non-financial assets	**63,375**	**61,503**	**1,872**
Accumulated deficit	***519,097***	***463,710***	***55,387***

(1) Includes $211 million in other comprehensive income (-$318 million other comprehensive loss in 2008-2009) reported by enterprise Crown corporations and other government business enterprises.

Interest-Bearing Debt

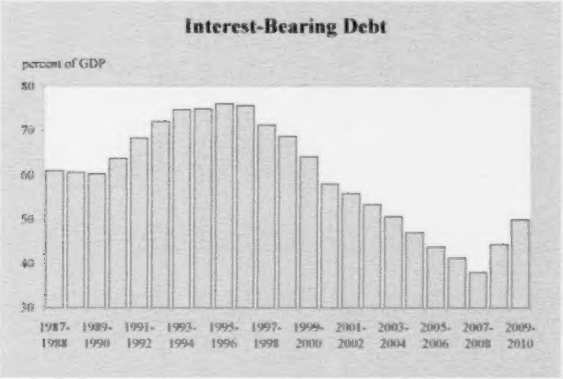
Interest-bearing debt includes unmatured debt, or debt issued on the credit markets, liabilities for pensions and other future benefits, and other liabilities. Unmatured debt, which includes fixed-coupon marketable bonds, Real Return Bonds, treasury bills, retail debt (Canada Savings Bonds and Canada Premium Bonds), foreign-currency-denominated debt, as well as bonds issued to the Canada Pension Plan and obligations related to capital leases, amounted to 73 percent of interest-bearing debt at March 31, 2010. Liabilities for pensions and other future benefits include obligations for federal employee pension plans and other employee and veteran future benefits. Liabilities for federal public service pension plans made up 19 percent of interest-bearing debt and other employee and veteran future benefits accounted for an additional 7 percent of interest-bearing debt. The remaining 1 percent of interest-bearing debt represents other interest-bearing liabilities of the Government, which include deposit and trust accounts and other specified purpose accounts. The share of total interest-bearing debt represented by unmatured debt had been declining since the mid-1990s, as the Government was able to retire some of this debt. This trend reversed in 2008-2009 due to the surge in financial requirements stemming from the Government's EAP, as well as an increase in borrowings under the consolidated borrowing framework introduced in 2008. Under the consolidated borrowing framework, the Government finances all of the borrowing needs of CMHC, the Business Development Bank of Canada and Farm Credit Canada through direct lending in order to reduce overall borrowing costs and improve the liquidity of the government securities market.



Interest-Bearing Debt by Category for 2009-2010

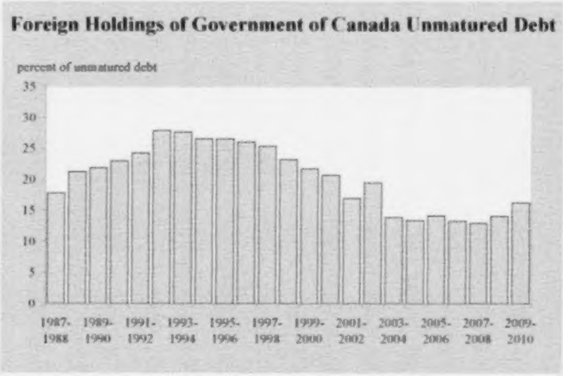
At March 31, 2010, interest-bearing debt totalled $762.8 billion, up $52.6 billion from March 31, 2009. The increase was largely attributable to an increase in unmatured debt, primarily reflecting financing requirements associated with the budgetary deficit. The increase in unmatured debt also reflects an increase in borrowings on behalf of Crown corporations under the consolidated borrowing framework, and in particular CMHC financing requirements for the purchase of insured mortgage pools under the IMPP to support the availability of longer-term credit. Borrowings undertaken by the Government to fund the IMPP operations do not increase the accumulated deficit, as they are offset by interest-bearing financial assets.

The Bank of Canada and the Department of Finance manage the Government's debt and associated risks. The fundamental objective of the debt management strategy is to provide stable, low-cost funding to meet the Government's financial obligations and liquidity needs. Details on the Government's debt management objectives and principles are tabled annually in Parliament through the Department of Finance's *Debt Management Strategy*. Further details on the pension plans are contained in Section 6 of this volume.



Interest-Bearing Debt

Foreign holdings of the Government's unmatured debt were estimated at $91.1 billion at March 31, 2010. This represents approximately 16 percent of the Government's total unmatured debt, down significantly from an average of about 27 percent in the mid-1990s.

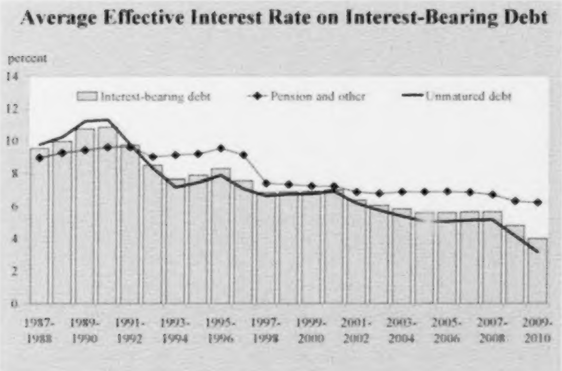


Foreign Holdings of Government of Canada Unmatured Debt

The average effective interest rate on the Government's interest-bearing debt in 2009-2010 was 4.0 percent, down from 4.8 percent in 2008-2009. The average effective interest rate on unmatured debt in 2009-2010 was 3.1 percent, down 1 percentage point from 2008-2009. The average effective interest rate on pension and other liabilities was 6.3 percent, down from 6.4 percent a year earlier. The average effective interest rate was higher on pension and other liabilities than on unmatured debt because the unfunded pension liability is primarily credited with interest at rates that are calculated as though the amounts in the plans were invested in a notional portfolio of Government of Canada 20-year bonds held to maturity, whereas unmatured debt includes both short- and long-term securities.

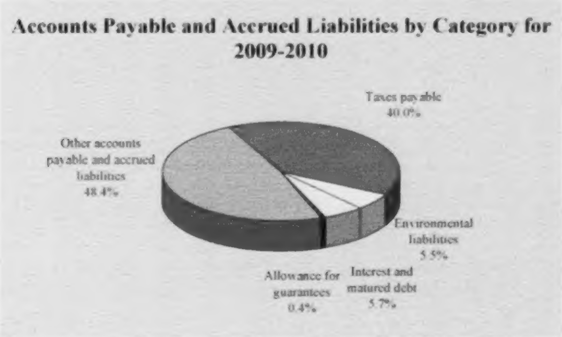
The debt structure of interest-bearing debt is usually described in terms of its fixed-rate share (that is the proportion of all interest-bearing debt that does not mature or need to be repriced within one year relative to the total amount of Government of Canada interest-bearing debt). It is calculated on a net basis by excluding components of the debt that are matched with financial assets of the same term, which therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corresponding loans to Crown corporations; Government of Canada debt securities held by the Bank of Canada; matched assets related to the IMPP; and the debt offset by Receiver General cash and deposit balances.

The fixed-rate share of interest-bearing debt increased from 61.0 percent in 2008-2009 to 63.3 percent in 2009-2010.


Average Effective Interest Rate on Interest-Bearing Debt

Accounts Payable and Accrued Liabilities

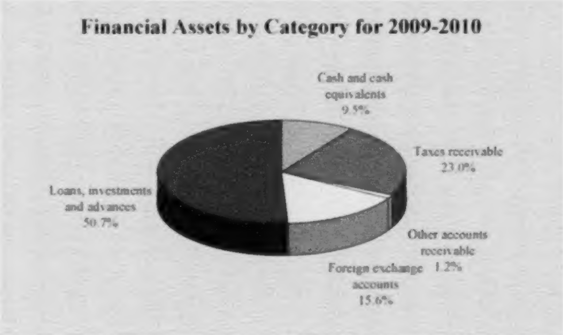
The following chart shows accounts payable and accrued liabilities by category for 2009-2010.


Accounts Payable and Accrued Liabilities by Category for 2009-2010

At March 31, 2010, accounts payable and accrued liabilities amounted to $120.5 billion, up $6.5 billion from March 31, 2009. The increase is largely attributable to an $8.9-billion increase in other accounts payable and accrued liabilities, primarily reflecting the accrual of HST transitional assistance to the provinces of Ontario and British Columbia. This assistance will be paid out in 2010-2011 and 2011-2012 in accordance with the terms of the Comprehensive Integrated Tax Coordination Agreements with the provinces. The increase in other accounts payable and accrued liabilities also reflects the accrual of a liability to the Province of Ontario representing its one-third participation in the financial assistance provided to the automotive sector. These increases were partially offset by a $2.6-billion decrease in taxes payable. Taxes payable include amounts payable to taxpayers based on assessments, as well as estimates of refunds owing for assessments not completed by year end.

Financial Assets

Financial assets include cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable, foreign exchange accounts, and loans, investments and advances. The Government's foreign exchange accounts include foreign currency deposits, investments in gold, and subscriptions and loans to the International Monetary Fund. Proceeds of the Government's foreign currency borrowings are held in the Exchange Fund Account to provide foreign currency liquidity and provide funds needed to promote orderly conditions for the Canadian dollar in the foreign exchange markets. Further details on the management of international reserves are available in the annual *Report on the Management of Canada's Official International Reserves*. The Government's loans, investments and advances include its investments and loans in enterprise Crown corporations, loans to national governments mainly for financial assistance and development of export trade, and loans under the Canada Student Loans Program.


Financial Assets by Category for 2009-2010

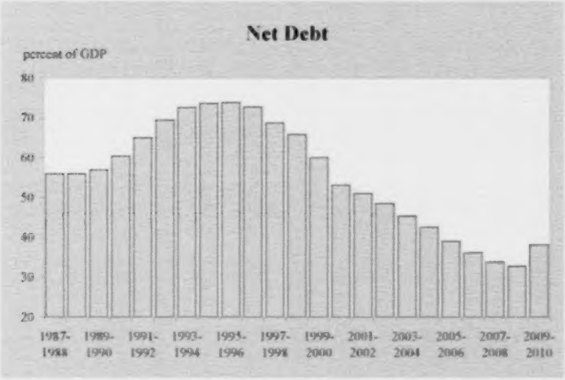
At March 31, 2010, financial assets amounted to $300.8 billion, up $1.9 billion from March 31, 2009. Within financial assets, cash and cash equivalents decreased $18.5 billion, taxes receivable decreased $2.8 billion, foreign exchange accounts decreased $4.8 billion, and the Government's loans, investments and advances in enterprise Crown corporations and other government business enterprises increased $25.5 billion. The decrease in cash and cash equivalents over the prior year mainly reflects increased cash balances held at the end of 2008-2009 to support the Bank of Canada's operations to provide liquidity to financial markets and to cover some of the Government's own funding needs for the IMPP. With improved conditions in financial markets and the winding down of purchases under the IMPP in March 2010, the Government's cash balances were reduced by the end of 2009-2010. The decrease in foreign exchange accounts is largely attributable to a decrease in the value of foreign-denominated marketable securities held in the Exchange Fund Account due to the appreciation of the Canadian dollar against the US dollar and the euro. The $25.5-billion increase in loans, investments and advances in enterprise Crown corporations and other government business enterprises is due mainly to the issuance of loans to the Business Development Bank of Canada, CMHC and Farm Credit Canada under the consolidated borrowing framework. In particular, loans to CMHC increased by $10.6 billion, reflecting funding provided to finance purchases of insured mortgage pools under the IMPP. The $25.5 billion increase also reflects net profits recorded by these corporations and enterprises during 2009-2010, as well as the acquisition of common and preferred shares in a restructured General Motors and membership interests in Chrysler as part of the Government's financial assistance agreements with these companies. The shares are held on behalf of the Government by two wholly owned subsidiaries of the Canada Development Investment Corporation.

Since the accumulated deficit reached its peak of $562.9 billion at March 31, 1997, financial assets have increased by $200.4 billion due to higher levels of cash and cash equivalents and accounts receivable (up $48.4 billion), an increase in the foreign exchange accounts (up $20.1 billion) and an increase in loans, investments and advances (up $131.9 billion). The increase in cash and cash equivalents and accounts receivable is largely attributable to growth in taxes receivable, broadly in line with the growth in the applicable tax bases. The increase in the foreign exchange accounts reflects a decision by the Government in the late 1990s to increase its liquidity in these accounts. The increase in loans, investments and advances is attributable to several factors including the accumulation of net profits from enterprise Crown corporations, the Government taking over the financing of the Canada Student Loans Program from the chartered banks in 2000, and, more recently, the issuance of direct loans to Crown corporations under the Government's consolidated borrowing framework.

Net Debt

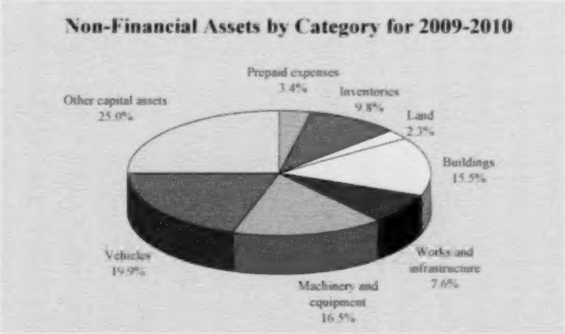
The Government's net debt – its total liabilities less financial assets – stood at $582.5 billion at March 31, 2010. As a share of GDP, net debt was 38.1 percent, up 5.3 percentage points from a year earlier, but down 35.7 percentage points from its peak of 73.9 percent at March 31, 1996.

This ratio measures debt relative to the ability of the country's taxpayers to finance it. Total liabilities are reduced only by financial assets as non-financial assets cannot normally be converted to cash to pay off the debt without disrupting government operations.

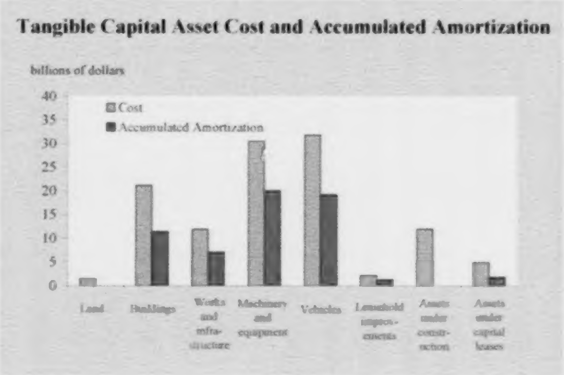


Non-Financial Assets

Non-financial assets include the net book value of the Government's tangible capital assets, which include land, buildings, works and infrastructure such as roads and bridges, machinery and equipment, ships, aircraft and other vehicles. Non-financial assets also include inventories and prepaid expenses.



At March 31, 2010, non-financial assets stood at $63.4 billion, up $1.9 billion from a year earlier, primarily due to an increase in tangible capital assets. At March 31, 2010, roughly 59 percent of the original cost of the Government's depreciable tangible capital assets had been amortized, compared to 58 percent a year earlier. Depreciable tangible capital assets exclude land, and assets under construction, which are not yet available for use.



Cash Flow

The annual surplus or deficit is presented on an accrual basis of accounting, recognizing revenue in the period it is earned and expenses when incurred, regardless of when the associated cash is received or paid. In contrast, the Government's net cash flow measures the difference between cash coming in to the Government and cash going out.

In 2009-2010, the Government had a total cash requirement of $71.9 billion before financing activities, compared to a total cash requirement of $83.5 billion before financing activities in 2008-2009. Operating activities resulted in a net cash requirement of $37.5 billion in 2009-2010, compared to a net cash requirement of $6.1 billion in 2008-2009, primarily reflecting the deterioration in the budgetary balance. Cash used for capital investment activities increased by $1.2 billion, from $5.6 billion in 2008-2009 to $6.8 billion in 2009-2010. Cash requirements from the Government's other investing activities totalled $27.6 billion in 2009-2010, down $44.1 billion from 2008-2009. This decrease is largely attributable to a reduction in financing requirements associated with the purchases of insured mortgage pools through CMHC under the IMPP.

Cash Flow

	2009-2010	2008-2009
	(in millions of dollars)	
Cash used by operating activities	-37,452	-6,111
Cash used by capital investment activities	-6,839	-5,641
Cash used by investing activities	-27,614	-71,743
Total cash requirement	-71,905	-83,495
Cash provided by financing activities	53,370	116,751
Net decrease (-) or increase in cash	-18,535	33,256
Cash and cash equivalents at beginning of year	46,985	13,729
Cash and cash equivalents at end of year	28,450	46,985

The Government financed this financial requirement of $71.9 billion by increasing market debt by $53.4 billion and by decreasing its balance of cash and cash equivalents by $18.5 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds.

Risks and Uncertainties

As noted in the budget and related documents, the Government's revenues and expenses are highly sensitive to changes in economic conditions – particularly to changes in real economic growth, inflation and interest rates. Current risks come primarily from risks to the Canadian economic outlook, as well as uncertainty as to how economic developments will translate into spending and tax revenues.

To illustrate the impact of changes in economic conditions, the Department of Finance publishes, on a regular basis, sensitivity impacts on the budgetary balance. These are "rules of thumb" as the actual impact will depend on many other factors as well. As published in Budget 2010, these show, for example, that:

- A 1-percentage-point decrease in real GDP growth would lower the budgetary balance by about $3.1 billion in the first year, $3.4 billion in the second year, and $4.4 billion in the fifth year.
- A 1-percentage-point decrease in GDP inflation would lower the budgetary balance by about $1.6 billion in the first year, $1.5 billion in the second year, and $1.6 billion in the fifth year.
- A sustained 100-basis-point increase in interest rates would lower the budgetary balance by $1.0 billion in the first year, $2.1 billion in the second year, and $3.0 billion in the fifth year.

TEN YEAR COMPARATIVE FINANCIAL INFORMATION

This part provides a ten year comparison of financial information based on the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume.

TABLE 1.1

GOVERNMENT OF CANADA
DETAILED STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

(in millions of dollars)

	Year ended March 31									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES—										
TAX REVENUES—										
Income tax revenues—										
Personal	92,662	86,972	89,530	92,957	98,521	103,691	110,477	113,063	116,024	103,947
Corporate	28,293	24,242	22,222	27,431	29,956	31,724	37,745	40,628	29,476	30,361
Non-resident	2,982	2,925	3,291	3,142	3,560	4,529	4,877	5,693	6,298	5,293
	123,937	*114,139*	*115,043*	*123,530*	*132,037*	*139,944*	*153,099*	*159,384*	*151,798*	*139,601*
Other taxes and duties—										
Goods and services tax	24,759	25,292	28,248	28,286	29,758	33,020	31,296	29,920	25,740	26,947
Energy taxes	4,792	4,848	4,935	4,952	5,054	5,076	5,128	5,139	5,161	5,178
Customs import duties	2,784	3,040	3,278	2,887	3,091	3,330	3,704	3,903	4,036	3,490
Other excise taxes and duties	3,434	3,953	4,896	5,240	4,954	4,730	5,189	5,245	4,869	4,958
	35,769	*37,133*	*41,357*	*41,365*	*42,857*	*46,156*	*45,317*	*44,207*	*39,806*	*40,573*
Total tax revenues	***159,706***	***151,272***	***156,400***	***164,895***	***174,894***	***186,100***	***198,416***	***203,591***	***191,604***	***180,174***
EMPLOYMENT INSURANCE PREMIUMS	***18,655***	***17,637***	***17,870***	***17,546***	***17,307***	***16,535***	***16,789***	***16,558***	***16,887***	***16,761***
OTHER REVENUES—										
Crown corporations	5,458	4,751	5,301	5,917	6,825	7,198	7,503	6,504	7,760	7,622
Other programs	7,851	7,817	7,620	8,142	11,742	10,356	11,544	13,895	15,105	12,396
Net foreign exchange	2,679	2,453	3,379	2,090	1,175	2,014	1,714	1,872	1,736	1,647
Total other revenues	***15,988***	***15,021***	***16,300***	***16,149***	***19,742***	***19,568***	***20,761***	***22,271***	***24,601***	***21,665***
TOTAL REVENUES	**194,349**	**183,930**	**190,570**	**198,590**	**211,943**	**222,203**	**235,966**	**242,420**	**233,092**	**218,600**
EXPENSES—										
TRANSFER PAYMENTS—										
Old age security benefits, guaranteed income supplement and spouse's allowance	23,668	24,641	25,692	26,902	27,871	28,992	30,284	31,955	33,377	34,653
Major transfer payments to other levels of government—										
Canada health and social transfer	13,500	17,300	21,100	22,341	28,031					
Canada health transfer						19,000	20,140	21,474	22,759	24,820
Canada social transfer						8,225	8,500	9,872	10,568	10,858
Fiscal arrangements	12,467	11,603	10,879	9,409	12,863	12,381	13,033	14,570	15,138	16,193
Alternative payments for standing programs	-2,460	-2,662	-2,321	-2,700	-2,746	-2,731	-3,177	-2,720	-2,974	-2,703
Other major transfers	1,217	375	987	342	3,807	3,940	4,018	2,956	1,024	7,822
	24,724	*26,616*	*30,645*	*29,392*	*41,955*	*40,815*	*42,514*	*46,152*	*46,515*	*56,990*
Employment insurance benefits	11,444	13,726	14,496	15,058	14,748	14,417	14,084	14,298	16,308	21,586
Children's benefits	6,783	7,471	7,823	8,062	8,688	9,200	11,214	11,894	11,901	12,340
Other transfer payments	21,575	17,546	20,673	22,945	25,453	24,893	26,844	27,032	30,192	39,892
Total transfer payments	***88,194***	***90,000***	***99,329***	***102,359***	***118,715***	***118,317***	***124,940***	***131,331***	***138,293***	***165,461***
OTHER PROGRAM EXPENSES—										
Crown corporations	5,402	6,085	6,551	6,566	8,907	7,195	7,211	7,340	8,066	10,428
Ministries	36,970	40,146	40,799	44,751	48,740	49,701	56,118	60,827	61,498	68,895
Total other program expenses	***42,372***	***46,231***	***47,350***	***51,317***	***57,647***	***56,896***	***63,329***	***68,167***	***69,564***	***79,323***
Total program expenses	***130,566***	***136,231***	***146,679***	***153,676***	***176,362***	***175,213***	***188,269***	***199,498***	***207,857***	***244,784***
PUBLIC DEBT CHARGES	***43,892***	***39,651***	***37,270***	***35,769***	***34,118***	***33,772***	***33,945***	***33,325***	***30,990***	***29,414***
TOTAL EXPENSES	**174,458**	**175,882**	**183,949**	**189,445**	**210,480**	**208,985**	**222,214**	**232,823**	**238,847**	**274,198**
ANNUAL SURPLUS OR DEFICIT (-)	**19,891**	**8,048**	**6,621**	**9,145**	**1,463**	**13,218**	**13,752**	**9,597**	**-5,755**	**-55,598**
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	**539,885**	**519,994**	**511,946**	**505,325**	**496,180**	**494,717**	**481,499**	**467,268**	**457,637**	**463,710**
OTHER COMPREHENSIVE INCOME OR LOSS (-)							**479**	**34**	**-318**	**211**
ACCUMULATED DEFICIT AT END OF YEAR	**519,994**	**511,946**	**505,325**	**496,180**	**494,717**	**481,499**	**467,268**	**457,637**	**463,710**	**519,097**

TABLE 1.2

GOVERNMENT OF CANADA
DETAILED STATEMENT OF FINANCIAL POSITION

(in millions of dollars)

	As at March 31									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
LIABILITIES										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES—										
Other accounts payable and accrued liabilities	37,206	31,424	32,909	36,905	46,045	48,263	50,730	47,000	49,379	58,284
Taxes payable	33,030	34,284	33,549	33,040	35,650	38,402	41,388	49,010	50,845	48,251
Environmental liabilities	3,014	3,051	3,378	3,564	5,624	5,861	6,062	6,669	6,342	6,602
Interest and matured debt	11,278	10,409	9,558	8,933	8,104	7,875	7,516	7,182	6,919	6,853
Allowance for guarantees	3,951	4,076	3,802	2,770	2,317	1,031	815	602	514	535
Total accounts payable and accrued liabilities	***88,479***	***83,244***	***83,196***	***85,212***	***97,740***	***101,432***	***106,511***	***110,463***	***113,999***	***120,525***
INTEREST- BEARING DEBT—										
Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	293,441	292,500	287,133	277,780	265,798	261,134	257,482	253,550	295,186	367,962
Treasury bills	88,700	94,039	104,411	113,378	127,199	131,597	134,074	116,936	192,275	175,849
Retail debt	26,099	23,966	22,584	21,330	19,080	17,342	15,175	13,068	12,532	11,855
Bonds for Canada Pension Plan	3,473	3,391	3,371	3,427	3,393	3,102	1,743	1,042	523	452
	411,713	*413,896*	*417,499*	*415,915*	*415,470*	*413,175*	*408,474*	*384,596*	*500,516*	*556,118*
Payable in foreign currencies	33,158	27,032	21,141	20,542	16,286	14,085	10,372	9,498	10,381	8,243
Cross-currency swap revaluation	867	865	1,495	363	-922	-2,258	-1,091	-1,420	3,690	-4,233
Unamortized discounts and premiums on market debt	-2,171	-2,602	-5,256	-5,610	-6,342	-6,780	-6,659	-6,213	-4,751	-5,092
Obligation related to capital leases	2,591	2,619	2,664	2,774	2,932	2,927	3,096	4,236	4,184	4,090
Total unmatured debt	*446,158*	*441,810*	*437,543*	*433,984*	*427,424*	*421,149*	*414,192*	*390,697*	*514,020*	*559,126*
Pension and other future benefits—										
Public sector pensions	129,185	126,921	125,708	127,560	129,579	131,062	134,726	137,371	139,909	142,843
Other employee and veteran future benefits	37,668	38,280	38,844	39,367	41,549	43,369	45,123	47,901	50,311	54,227
Total pension and other future benefits	*166,853*	*165,201*	*164,552*	*166,927*	*171,128*	*174,431*	*179,849*	*185,272*	*190,220*	*197,070*
Due to Canada Pension Plan	6,391	6,770	7,093	7,483	2,771	151	54	106	90	175
Other liabilities	5,729	5,971	6,642	6,488	5,909	5,342	5,157	5,789	5,833	6,412
Total interest-bearing debt	***625,131***	***619,752***	***615,830***	***614,882***	***607,232***	***601,073***	***599,252***	***581,864***	***710,163***	***762,783***
TOTAL LIABILITIES	**713,610**	**702,996**	**699,026**	**700,094**	**704,972**	**702,505**	**705,763**	**692,327**	**824,162**	**883,308**
FINANCIAL ASSETS										
CASH AND ACCOUNTS RECEIVABLE—										
Cash and cash equivalents	15,818	11,398	16,528	20,572	20,615	21,149	22,696	13,729	46,985	28,450
Taxes receivable	48,572	45,605	43,597	47,953	53,477	59,113	66,492	65,902	71,911	69,063
Other accounts receivable	2,681	2,939	2,603	2,476	2,254	2,581	3,398	3,247	3,251	3,692
Total cash and accounts receivable	***67,071***	***59,942***	***62,728***	***71,001***	***76,346***	***82,843***	***92,586***	***82,878***	***122,147***	***101,205***
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund Account	47,845	48,667	44,849	41,247	39,114	40,936	44,673	42,904	51,194	53,701
International Monetary Fund—Subscriptions	12,814	12,821	12,942	12,185	11,240	10,673	11,106	10,752	12,011	9,823
International Monetary Fund—Loans										337
Less: International Monetary Fund—Notes payable and special drawing rights allocations	10,389	9,442	8,841	9,119	9,483	10,782	11,601	11,357	11,496	16,911
Total foreign exchange accounts	***50,270***	***52,046***	***48,950***	***44,313***	***40,871***	***40,827***	***44,178***	***42,299***	***51,709***	***46,950***
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations and other government business enterprises	12,633	11,952	12,858	14,594	17,625	20,584	23,683	30,167	104,049	129,523
Other loans, investments and advances	11,899	13,744	14,920	19,184	20,543	21,305	21,411	20,702	21,044	23,158
Total loans, investments and advances	***24,532***	***25,696***	***27,778***	***33,778***	***38,168***	***41,889***	***45,094***	***50,869***	***125,093***	***152,681***
TOTAL FINANCIAL ASSETS	**141,873**	**137,684**	**139,456**	**149,092**	**155,385**	**165,559**	**181,858**	**176,046**	**298,949**	**300,836**
NET DEBT	**571,737**	**565,312**	**559,570**	**551,002**	**549,587**	**536,946**	**523,905**	**516,281**	**525,213**	**582,472**
NON-FINANCIAL ASSETS										
Tangible capital assets	44,215	45,727	47,037	47,748	48,210	48,355	49,036	51,175	53,326	55,054
Inventories	6,591	6,438	6,113	6,134	5,525	5,875	5,988	6,248	6,348	6,192
Prepaid expenses	937	1,201	1,095	940	1,135	1,217	1,613	1,221	1,829	2,129
TOTAL NON-FINANCIAL ASSETS	**51,743**	**53,366**	**54,245**	**54,822**	**54,870**	**55,447**	**56,637**	**58,644**	**61,503**	**63,375**
ACCUMULATED DEFICIT	**519,994**	**511,946**	**505,325**	**496,180**	**494,717**	**481,499**	**467,268**	**457,637**	**463,710**	**519,097**

TABLE 1.3

GOVERNMENT OF CANADA
STATEMENT OF CHANGE IN NET DEBT

(in millions of dollars)

	Year ended March 31									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NET DEBT AT BEGINNING OF YEAR	**590,116**	**571,737**	**565,312**	**559,570**	**551,002**	**549,587**	**536,946**	**523,905**	**516,281**	**525,213**
CHANGE IN NET DEBT DURING THE YEAR—										
ANNUAL SURPLUS (-) OR DEFICIT	**-19,891**	**-8,048**	**-6,621**	**-9,145**	**-1,463**	**-13,218**	**-13,752**	**-9,597**	**5,755**	**55,598**
CHANGE DUE TO TANGIBLE CAPITAL ASSETS—										
Acquisition of tangible capital assets	3,880	4,487	5,051	4,535	4,619	4,046	4,789	5,957	6,249	7,136
Amortization of tangible capital assets	-2,312	-2,583	-3,341	-3,502	-3,696	-3,904	-3,807	-3,954	-4,176	-4,418
Proceeds from disposal of tangible capital assets	-111	-56	-288	-91	-144	-146	-202	-440	-608	-297
Net loss (-) or gain on disposal of tangible capital assets, including adjustments	-97	-336	-112	-231	-317	149	-99	576	686	-693
Total change due to tangible capital assets	*1,360*	*1,512*	*1,310*	*711*	*462*	*145*	*681*	*2,139*	*2,151*	*1,728*
CHANGE DUE TO INVENTORIES	**140**	**-153**	**-325**	**21**	**-609**	**350**	**113**	**260**	**100**	**-156**
CHANGE DUE TO PREPAID EXPENSES	**12**	**264**	**-106**	**-155**	**195**	**82**	**396**	**-392**	**608**	**300**
NET DECREASE (-) OR INCREASE IN NET DEBT DUE TO OPERATIONS	**-18,379**	**-6,425**	**-5,742**	**-8,568**	**-1,415**	**-12,641**	**-12,562**	**-7,590**	**8,614**	**57,470**
OTHER COMPREHENSIVE INCOME (-) OR LOSS							**-479**	**-34**	**318**	**-211**
NET DECREASE (-) OR INCREASE IN NET DEBT	**-18,379**	**-6,425**	**-5,742**	**-8,568**	**-1,415**	**-12,641**	**-13,041**	**-7,624**	**8,932**	**57,259**
NET DEBT AT END OF YEAR	**571,737**	**565,312**	**559,570**	**551,002**	**549,587**	**536,946**	**523,905**	**516,281**	**525,213**	**582,472**

TABLE 1.4

GOVERNMENT OF CANADA
STATEMENT OF CASH FLOW

(in millions of dollars)

	Year ended March 31									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
OPERATING ACTIVITIES—										
ANNUAL SURPLUS OR DEFICIT (-)	**19,891**	**8,048**	**6,621**	**9,145**	**1,463**	**13,218**	**13,752**	**9,597**	**-5,755**	**-55,598**
Items not affecting cash—										
Share of annual profit in enterprise Crown corporations and other government business enterprises	-3,272	-2,479	-2,958	-3,708	-4,853	-5,041	-5,336	-4,256	-4,773	-2,306
Amortization of tangible capital assets	2,312	2,583	3,341	3,502	3,696	3,904	3,807	3,954	4,176	4,418
Net loss or gain (-) on disposal of tangible capital assets, including adjustments	97	336	112	231	317	-149	99	-576	-686	693
Change in inventories and prepaid expenses	-152	-111	431	134	414	-431	-509	132	-708	-144
Change in pension and other future benefits	2,793	-1,652	-648	2,375	4,201	3,303	5,418	5,423	4,948	6,850
Change in foreign exchange accounts	-8,776	-1,776	3,096	4,637	3,442	44	-3,351	1,879	-9,410	4,759
Net change in other accounts	2,439	-1,283	1,547	-3,149	-128	-6,379	-1,790	5,878	6,097	3,876
Cash provided or used (-) by operating activities	**15,332**	**3,666**	**11,542**	**13,167**	**8,552**	**8,469**	**12,090**	**22,031**	**-6,111**	**-37,452**
CAPITAL INVESTMENT ACTIVITIES—										
Acquisition of tangible capital assets	-3,880	-4,487	-5,051	-4,535	-4,619	-4,046	-4,789	-5,957	-6,249	-7,136
Proceeds from disposal of tangible capital assets	111	56	288	91	144	146	202	440	608	297
Cash used by capital investment activities	**-3,769**	**-4,431**	**-4,763**	**-4,444**	**-4,475**	**-3,900**	**-4,587**	**-5,517**	**-5,641**	**-6,839**
INVESTING ACTIVITIES—										
Enterprise Crown corporations and other government business enterprises—										
Equity transactions	2,055	2,167	1,814	1,843	1,669	2,012	2,602	2,436	1,495	-3,226
Issuances of loans and advances	-333	-248	-26	-167	-142	-198	-3,713	-5,052	-132,057	-119,755
Repayments of loans and advances	745	1,052	307	358	334	331	3,894	435	60,688	99,921
Issuances of other loans, investments and advances	-7,213	-6,637	-6,216	-9,569	-8,218	-6,861	-16,969	-6,571	-6,910	-21,174
Repayments of other loans, investments and advances	2,942	3,926	4,716	4,929	6,866	5,182	16,475	6,883	5,041	16,620
Cash used (-) or provided by investing activities	**-1,804**	**260**	**595**	**-2,606**	**509**	**466**	**2,289**	**-1,869**	**-71,743**	**-27,614**
TOTAL CASH GENERATED OR USED (-) BEFORE FINANCING ACTIVITIES	**9,759**	**-505**	**7,374**	**6,117**	**4,586**	**5,035**	**9,792**	**14,645**	**-83,495**	**-71,905**
FINANCING ACTIVITIES—										
Issuances of Canadian currency borrowings	225,899	258,142	309,420	336,260	335,682	363,824	369,354	343,755	531,668	554,892
Repayments of Canadian currency borrowings	-235,825	-255,931	-305,773	-337,734	-335,969	-366,123	-373,886	-366,493	-415,801	-499,383
Issuances of foreign currencies borrowings	34,176	23,412	17,297	14,227	13,608	15,859	11,586	11,099	24,500	22,212
Repayments of foreign currencies borrowings	-33,607	-29,538	-23,188	-14,826	-17,864	-18,061	-15,299	-11,973	-23,616	-24,351
Cash used (-) or provided by financing activities	**-9,357**	**-3,915**	**-2,244**	**-2,073**	**-4,543**	**-4,501**	**-8,245**	**-23,612**	**116,751**	**53,370**
NET INCREASE OR DECREASE (-) IN CASH	**402**	**-4,420**	**5,130**	**4,044**	**43**	**534**	**1,547**	**-8,967**	**33,256**	**-18,535**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,416**	**15,818**	**11,398**	**16,528**	**20,572**	**20,615**	**21,149**	**22,696**	**13,729**	**46,985**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**15,818**	**11,398**	**16,528**	**20,572**	**20,615**	**21,149**	**22,696**	**13,729**	**46,985**	**28,450**

TABLE 1.5

GOVERNMENT OF CANADA
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS AND OF NON-FINANCIAL ASSETS

(in millions of dollars)

	Year ended March 31									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations and other government business enterprises—										
Loans and advances—										
Canada Mortgage and Housing Corporation	224	226	218	219	190	200	148	258	-57,470	-10,399
Business Development Bank of Canada								-1,000	-6,284	-4,961
Farm Credit Canada	226	578						-3,840	-7,610	-4,481
Other	-38		63	-28	2	-67	33	-35	-5	7
	412	*804*	*281*	*191*	*192*	*133*	*181*	*-4,617*	*-71,369*	*-19,834*
Investments—										
Share of annual profit	-3,272	-2,479	-2,958	-3,708	-4,853	-5,041	-5,336	-4,256	-4,773	-2,306
Other comprehensive income (-) or loss							-479	-34	318	-211
Dividends	1,990	2,078	1,881	1,907	1,944	2,027	2,604	2,436	2,095	1,391
Capital	65	89	-67	-64	-275	-15	-3		-600	-4,617
	-1,217	*-312*	*-1,144*	*-1,865*	*-3,184*	*-3,029*	*-3,214*	*-1,854*	*-2,960*	*-5,743*
Total	-805	492	-863	-1,674	-2,992	-2,896	-3,033	-6,471	-74,329	-25,577
Less:										
Amount expected to be repaid from future appropriations	32	-190	43	62	39	63	66	32	-473	-103
Unamortized discounts and premiums								-19	26	
Total	-837	682	-906	-1,736	-3,031	-2,959	-3,099	-6,484	-73,882	-25,474
Other loans, investments and advances—										
Portfolio investments					1,225	-101			6	2
National governments, including developing countries	-177	185	828	572	171	158	80	143	-182	235
International organizations	-590	-459	-349	-72	-253	-224	-491	-321	-905	-454
Provincial and territorial governments	-963	385	-249	-2,459	-673	14	285	899	217	590
Other loans, investments and advances	-2,541	-2,822	-1,730	-2,681	-1,822	-1,524	-367	-410	-1,005	-4,926
Total	-4,271	-2,711	-1,500	-4,640	-1,352	-1,677	-493	311	-1,869	-4,553
Less: allowance for valuation	-643	-865	-324	-376	6	-915	-387	-398	-1,527	-2,440
Total	-3,628	-1,846	-1,176	-4,264	-1,358	-762	-106	709	-342	-2,113
Total loans, investments and advances	**-4,465**	**-1,164**	**-2,082**	**-6,000**	**-4,389**	**-3,721**	**-3,205**	**-5,775**	**-74,224**	**-27,587**
PENSION AND OTHER FUTURE BENEFITS—										
Public sector pensions	839	-2,264	-1,213	1,852	2,019	1,483	3,664	2,645	2,538	2,934
Other employee and veteran future benefits	1,954	612	564	523	2,182	1,820	1,754	2,778	2,410	3,916
Total pension and other future benefits	**2,793**	**-1,652**	**-649**	**2,375**	**4,201**	**3,303**	**5,418**	**5,423**	**4,948**	**6,850**
OTHER LIABILITIES—										
Due to Canada Pension Plan	174	379	323	390	-4,712	-2,620	-97	52	-16	85
Other liabilities	255	242	672	-154	-579	-567	-185	632	44	579
Total other liabilities	**429**	**621**	**995**	**236**	**-5,291**	**-3,187**	**-282**	**684**	**28**	**664**
NON-FINANCIAL ASSETS—										
Tangible capital assets	-1,360	-1,512	-1,310	-711	-462	-145	-681	-2,139	-2,152	-1,728
Inventories	-140	153	325	-21	609	-350	-113	-260	-100	156
Prepaid expenses	-12	-264	106	155	-195	-82	-396	392	-608	-300
Total non-financial assets	**-1,512**	**-1,623**	**-879**	**-577**	**-48**	**-577**	**-1,190**	**-2,007**	**-2,860**	**-1,872**
OTHER TRANSACTIONS—										
Taxes receivable	-5,251	2,967	2,008	-4,356	-5,524	-5,636	-7,379	590	-6,009	2,848
Other accounts receivable	528	-258	336	127	223	-327	-817	151	-3	-441
Provincial and territorial tax collection agreements account	-824	-1,139	-934	2,374	1,103	2,316	410	-1,311	-168	1,438
Taxes payable	3,221	1,254	-735	-509	2,610	2,752	2,986	7,622	1,835	-2,594
Other liabilities	2,206	-5,350	1,621	151	8,813	-1,376	1,683	-2,359	1,869	7,682
Total other transactions	**-120**	**-2,526**	**2,296**	**-2,213**	**7,225**	**-2,271**	**-3,117**	**4,693**	**-2,476**	**8,933**
TOTAL NON-BUDGETARY TRANSACTIONS AND NON-FINANCIAL ASSETS	**-2,875**	**-6,344**	**-319**	**-6,179**	**1,698**	**-6,453**	**-2,376**	**3,018**	**-74,584**	**-13,012**

TABLE 1.6

GOVERNMENT OF CANADA
DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund Account	-9,215	-822	3,818	3,602	2,133	-1,822	-3,737	1,769	-8,290	-2,507
International Monetary Fund— Subscriptions	-424	-7	-121	757	945	567	-433	354	-1,259	2,188
International Monetary Fund—Loans										-337
	-9,639	*-829*	*3,697*	*4,359*	*3,078*	*-1,255*	*-4,170*	*2,123*	*-9,549*	*-656*
Less: International Monetary Fund—Notes payable	-835	947	623	-336	-453	-1,412	-771	201	14	2,351
Special drawing rights allocations	-28		-22	58	89	113	-48	43	-154	-7,766
	-863	*947*	*601*	*-278*	*-364*	*-1,299*	*-819*	*244*	*-140*	*-5,415*
Total foreign exchange accounts	**-8,776**	**-1,776**	**3,096**	**4,637**	**3,442**	**44**	**-3,351**	**1,879**	**-9,409**	**4,759**
UNMATURED DEBT—										
Payable in Canadian currency—										
Marketable bonds	1,702	-941	-5,367	-9,354	-11,981	-4,664	-3,652	-3,932	41,636	72,776
Treasury bills	-11,150	5,339	10,371	8,967	13,821	4,398	2,477	-17,138	75,339	-16,426
Retail debt	-390	-2,133	-1,382	-1,254	-2,250	-1,738	-2,167	-2,107	-536	-677
Bonds for Canada Pension Plan	-79	-82	-19	56	-35	-291	-1,359	-700	-519	-71
	-9,917	*2,183*	*3,603*	*-1,585*	*-445*	*-2,295*	*-4,701*	*-23,877*	*115,919*	*55,602*
Payable in foreign currencies	570	-6,126	-5,891	-599	-4,256	-2,201	-3,713	-875	883	-2,138
Cross-currency swap revaluation	1,334	-2	630	-1,132	-1,285	-1,336	1,167	-329	5,110	-7,923
Unamortized discounts and premiums on market debt	185	-431	-2,654	-354	-732	-438	121	446	1,462	-341
Obligation related to capital leases	-10	28	44	111	158	-5	169	1,140	-51	-94
Total unmatured debt	**-7,838**	**-4,348**	**-4,268**	**-3,559**	**-6,560**	**-6,275**	**-6,957**	**-23,495**	**123,323**	**45,106**
CASH AND CASH EQUIVALENTS AT END OF YEAR—										
In Canadian currency	15,789	11,351	16,478	20,559	20,607	21,152	22,701	13,733	46,989	28,124
In foreign currencies	29	47	50	13	8	-3	-5	-4	-4	326
Total cash and cash equivalents	**15,818**	**11,398**	**16,528**	**20,572**	**20,615**	**21,149**	**22,696**	**13,729**	**46,985**	**28,450**

GLOSSARY OF TERMS

The following terms are used in this section and throughout the financial statements in Section 2 of this Volume. The definitions are taken from three primary sources:

1- TERMIUM at www.termiumplus.gc.ca/

2- The *CICA Public Sector Accounting Handbook*.

3- Glossary of Frequently-Used Terms, Finance Canada.

- Accounts of Canada –
  The centralized record of the financial transactions of the Government of Canada, maintained by the Receiver General. The accounts of Canada summarize revenues, expenses, assets and liabilities transactions.

- Accrued Benefit Obligation –
  The value of future benefits attributed to services rendered by employees and former employees to the accounting date.

- Accumulated Deficit –
  The accumulated net total of all past federal deficits and surpluses since Confederation. The accumulated deficit is also equal to total liabilities less total assets – both financial and non-financial.

- Actuarial Valuation for Accounting Purposes –
  An assessment of the financial status of a benefit plan. It consists of the valuation of assets held to discharge the benefit liability and calculation of the actuarial present value of benefits to be paid under the plan. The valuation results in a calculation of the required future contributions or payments and a determination of any gains or losses since the last valuation.

- Allowance –
  Estimated potential losses on the realization of government financial claims or estimated financial obligations that would not otherwise be recorded in the financial statements.

- Appropriation –
  Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

- Capital Lease –
  A lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

- Consolidated Revenue Fund –
  The aggregate of all public moneys that are on deposit at the credit of the Receiver General for Canada.

- Consumer Price Index (CPI) –
  A measure of price changes produced by Statistics Canada on a monthly basis. The CPI measures the retail prices of a "shopping basket" of about 300 goods and services including food, housing, transportation, clothing and recreation. The index is "weighted", meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the CPI are also referred to as increases in the cost of living.

- Contingent Liability –
  A potential debt which may become an actual financial obligation if certain events occur or fail to occur.

- Contractual Obligation –
  A written obligation to outside organizations or individuals as a result of a contract.

- Defined Benefit Pension Plan –
  A plan that specifies either the benefits to be received by employees after retirement or the method for determining those benefits.

- Enterprise Crown Corporation –
  A corporation which is not dependent on parliamentary appropriations and whose principal activity and source of revenues are the sale of goods and/or services to outside parties. An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs.

- Financial Assets –
  An asset on hand at the end of the accounting period, which could provide resources to discharge existing liabilities or finance future operations. Financial assets include cash and assets that are convertible into cash and are not intended for consumption in the normal course of activities.

- Full Accrual Accounting –
  The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, respectively, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.

- G7 (Group of Seven) –
  The G7 consists of the world's seven largest industrial market economies: the United States, Japan, Germany, France, Great Britain, Italy and Canada. The leaders of these countries meet annually to discuss political and economic issues of mutual concern. In addition, G7 finance ministers meet several times a year to discuss economic policy. Their work is supported by regular, functional meetings of officials, including the G7 Finance Deputies.

- Gross Domestic Product (GDP) –
  The total value of all goods and services produced within Canada during a given year. It is a measure of the income generated by production within Canada. Also referred to as annual economic output or, more simply, output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. GDP would not include the wheat used to make bread, but would include the bread itself.

- Net Book Value of Tangible Capital Assets –
  The cost of tangible capital assets less both accumulated amortization and the amount of any write-downs.

- Net Debt –
  The total liabilities of the government less its financial assets.

- Non-Financial Assets –
  An asset on hand at the end of the accounting period, which could not normally be converted to cash to pay off the debt, without disrupting government operations.

- Operating Lease –
  A lease in which the lessor retains substantially all the benefits and risks of ownership.

- Other comprehensive income :
  Other comprehensive income holds any unrealized gains and losses resulting from the change in market value on assets that are classified as available-for-sale or derivative instruments used in hedging activities.

- Public Money –
  All money belonging to Canada received or collected by the Receiver General or any other public officer in his official capacity or any person authorized to receive or collect such money.

- Real Return Bonds –
  These bonds pay semi-annual interest based on a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on real return bonds are adjusted for changes in the consumer price index.

- Retail Debt –
  Canada Savings Bonds, Canada Premium Bonds and Canada Investment Bonds.

- Surplus –
  The amount by which government revenue exceeds expenses in any given year.

- Swap –
  An agreement that exchanges one type of return or financial instrument for another (e.g. a fixed for a floating rate of interest).

- Tangible Capital Asset –
  A non-financial asset having physical substance that:
  (i) is held for use in the production or supply of goods and services;
  (ii) has a useful economic life extending beyond an accounting period; and
  (iii) has been acquired to be used on a continuing basis.

- Transfer Payments –
  A transfer of money from a government to an individual, an organization or another government for which the government making the transfer does not:
  (i) receive any goods or services directly in return as would occur in a purchase/sales transaction;
  (ii) expect to be repaid in the future, as would be expected in a loan; or
  (iii) expect a financial return, as would be expected in an investment.

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SECTION 2

2009-2010

PUBLIC ACCOUNTS OF CANADA

Financial Statements of the Government of Canada and Report and Observations of the Auditor General of Canada

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PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of these financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. These financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, accumulated deficit, change in net debt and cash flow for the year then ended.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund" (CRF); second, that the balance of the CRF, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the CRF. All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty may also only borrow as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations and other government business enterprises can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements of the Government of Canada consist of four statements and accompanying notes.

The first is the **Statement of Operations and Accumulated Deficit**, which presents the Government's revenues, expenses, deficit, and other comprehensive loss or income for the year, and the net accumulation of the annual surpluses and deficits since Confederation.

The second is the **Statement of Financial Position**, which discloses the Government's cash balance and investments, amounts owing to and by the Government at the end of the year, and the Government's non-financial assets such as its tangible capital assets and inventories. It also presents both the accumulated deficit of the Government and its net debt which is the difference between the Government's total liabilities and its financial assets.

The third is the **Statement of Change in Net Debt**, which explains the difference between the Government's annual deficit and the change in the net debt for the year. It reports the extent to which revenues recognized in the year were sufficient to offset expenditures, as opposed to the expenses recognized in the annual deficit.

The fourth is the **Statement of Cash Flow**, which provides information on the Government's cash provided by or used for operating, capital investment, investing and financing activities.

Other sections in this volume together with Volume II and Volume III of the *Public Accounts of Canada*, provide more detailed supplementary information in respect of matters reported in the financial statements. The report of the Auditor General of Canada on the financial statements does not extend to this supplementary information.

STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the financial statements, which are based on Canadian generally accepted accounting principles for the public sector, and on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are prepared on a full accrual basis of accounting whereby, assets include both financial and non-financial assets, revenues, including tax revenues are recorded when earned, and expenses include accrued expenses and amortization of tangible capital assets. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized summary record of the Government's financial transactions. Additional information is obtained as required, from departments, agencies, Crown corporations, other government business enterprises, and other entities to meet accounting and reporting requirements.

The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent audit opinion to the House of Commons. The duties of the Auditor General of Canada in that respect are contained in section 6 of the *Auditor General Act*. Additional information is provided in the observations of the Auditor General of Canada at the end of this section.

Annually, the financial statements are tabled in the House of Commons as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Canada.

MICHELLE D'AURAY
Secretary of the
Treasury Board of
Canada

Michael Horgan
MICHAEL HORGAN
Deputy Minister of
Finance

FRANÇOIS GUIMONT
Deputy Receiver General for
Canada

JAMES RALSTON
Comptroller General of
Canada

August 26, 2010

Auditor General of Canada
Vérificatrice générale du Canada

REPORT OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

To the House of Commons

OPINION ON THE FINANCIAL STATEMENTS

I have audited the statement of financial position of the Government of Canada as at 31 March 2010 and the statements of operations and accumulated deficit, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government. My responsibility, as required by section 6 of the *Auditor General Act*, is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Government as at 31 March 2010 and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with the stated accounting policies of the Government set out in Note 1 to the financial statements, which conform with Canadian generally accepted accounting principles. As required by section 6 of the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

OTHER MATTER FOR PARLIAMENT'S ATTENTION

I wish to draw your attention to significant changes to the accounts for the Employment Insurance program. As described in Note 4 to the financial statements, the legislation that Parliament approved in July 2010 to implement the March 2010 Budget included amendments to the *Employment Insurance Act*. One such amendment was the closure of the Employment Insurance Account, with a surplus of about $57 billion.

ADDITIONAL INFORMATION

Additional information and comments on the financial statements and this Report are included in my Observations at the end of Section 2, Volume I of the *Public Accounts of Canada 2010*.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
26 August 2010

GOVERNMENT OF CANADA

Statement of Operations and Accumulated Deficit for the Year Ended March 31, 2010

(in millions of dollars)

	2010		2009
	Budget (Note 2)	Actual	Actual
REVENUES			
TAX REVENUES (Note 17) —			
Income tax revenues —			
Personal	110,277	103,947	116,024
Corporate	26,386	30,361	29,476
Non-resident	4,875	5,293	6,298
Total income tax revenues	***141,538***	***139,601***	***151,798***
Other taxes and duties —			
Goods and services tax	25,785	26,947	25,740
Energy taxes	5,035	5,178	5,161
Customs import duties	4,150	3,490	4,036
Other excise taxes and duties	5,143	4,958	4,869
Total other taxes and duties	***40,113***	***40,573***	***39,806***
TOTAL TAX REVENUES	***181,651***	***180,174***	***191,604***
EMPLOYMENT INSURANCE PREMIUMS	***16,795***	***16,761***	***16,887***
OTHER REVENUES —			
Crown corporations	9,975	7,622	7,760
Other programs	14,959	12,396	15,105
Net foreign exchange	1,525	1,647	1,736
TOTAL OTHER REVENUES	***26,459***	***21,665***	***24,601***
TOTAL REVENUES	**224,905**	**218,600**	**233,092**
EXPENSES (Notes 3 and 17)			
TRANSFER PAYMENTS —			
Old age security benefits, guaranteed income supplement and spouse's allowance	35,160	34,653	33,377
Major transfer payments to other levels of government	50,065	56,990	46,515
Employment insurance benefits	18,920	21,586	16,308
Children's benefits	12,270	12,340	11,901
Other transfer payments	35,694	39,892	30,192
TOTAL TRANSFER PAYMENTS	***152,109***	***165,461***	***138,293***
OTHER PROGRAM EXPENSES —			
Crown corporations	9,108	10,428	8,066
Ministries	67,868	68,895	61,498
TOTAL OTHER PROGRAM EXPENSES	***76,976***	***79,323***	***69,564***
TOTAL PROGRAM EXPENSES	***229,085***	***244,784***	***207,857***
PUBLIC DEBT CHARGES	***29,500***	***29,414***	***30,990***
TOTAL EXPENSES	**258,585**	**274,198**	**238,847**
ANNUAL DEFICIT	**33,680**	**55,598**	**5,755**
ACCUMULATED DEFICIT AT BEGINNING OF YEAR	**463,710**	**463,710**	**457,637**
OTHER COMPREHENSIVE INCOME OR LOSS (-) (Note 4)		**211**	**-318**
ACCUMULATED DEFICIT AT END OF YEAR (Note 4)	**497,390**	**519,097**	**463,710**

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA

Statement of Financial Position as at March 31, 2010

(in millions of dollars)

	2010	2009
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES —		
Other accounts payable and accrued liabilities (Note 16)	58,284	49,379
Taxes payable	48,251	50,845
Environmental liabilities (Note 16)	6,602	6,342
Interest and matured debt	6,853	6,919
Allowance for guarantees (Note 16)	535	514
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	***120,525***	***113,999***
INTEREST-BEARING DEBT —		
Unmatured debt (Note 5)	559,126	514,020
Pension and other future benefits —		
Public sector pensions (Note 6)	142,843	139,909
Other employee and veteran future benefits (Note 6)	54,227	50,311
Total pension and other future benefits	*197,070*	*190,220*
Other liabilities (Note 7)	6,587	5,923
TOTAL INTEREST-BEARING DEBT	***762,783***	***710,163***
TOTAL LIABILITIES	**883,308**	**824,162**
FINANCIAL ASSETS		
CASH AND ACCOUNTS RECEIVABLE —		
Cash and cash equivalents (Note 8)	28,450	46,985
Taxes receivable (Note 9)	69,063	71,911
Other accounts receivable (Note 9)	3,692	3,251
TOTAL CASH AND ACCOUNTS RECEIVABLE	***101,205***	***122,147***
FOREIGN EXCHANGE ACCOUNTS (Note 10)	***46,950***	***51,709***
LOANS, INVESTMENTS AND ADVANCES —		
Enterprise Crown corporations and other government business enterprises (Notes 4, 11 and 16)	129,523	104,049
Other loans, investments and advances (Note 12)	23,158	21,044
TOTAL LOANS, INVESTMENTS AND ADVANCES	***152,681***	***125,093***
TOTAL FINANCIAL ASSETS	**300,836**	**298,949**
NET DEBT	**582,472**	**525,213**
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	55,054	53,326
Inventories	6,192	6,348
Prepaid expenses	2,129	1,829
TOTAL NON-FINANCIAL ASSETS	**63,375**	**61,503**
ACCUMULATED DEFICIT (Note 4)	**519,097**	**463,710**
CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES (Notes 15 and 16)		

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA

Statement of Change in Net Debt for the Year Ended March 31, 2010

(in millions of dollars)

	2010		2009
	Budget (Note 2)	Actual	Actual
NET DEBT AT BEGINNING OF YEAR	**525,213**	**525,213**	**516,281**
CHANGE IN NET DEBT DURING THE YEAR —			
ANNUAL DEFICIT	**33,680**	**55,598**	**5,755**
CHANGE DUE TO TANGIBLE CAPITAL ASSETS —			
Acquisition of tangible capital assets	6,300	7,136	6,249
Amortization of tangible capital assets	-4,430	-4,418	-4,176
Proceeds from disposal of tangible capital assets	-150	-297	-608
Net loss (-) or gain on disposal of tangible capital assets, including adjustments		-693	686
TOTAL CHANGE DUE TO TANGIBLE CAPITAL ASSETS	***1,720***	***1,728***	***2,151***
CHANGE DUE TO INVENTORIES		**-156**	**100**
CHANGE DUE TO PREPAID EXPENSES		**300**	**608**
NET INCREASE IN NET DEBT DUE TO OPERATIONS	**35,400**	**57,470**	**8,614**
OTHER COMPREHENSIVE INCOME (-) OR LOSS (Notes 4 and 11)		**-211**	**318**
NET INCREASE IN NET DEBT	**35,400**	**57,259**	**8,932**
NET DEBT AT END OF YEAR	**560,613**	**582,472**	**525,213**

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA

Statement of Cash Flow
for the Year Ended March 31, 2010

(in millions of dollars)

	2010	2009
OPERATING ACTIVITIES —		
ANNUAL DEFICIT	**-55,598**	**-5,755**
Items not affecting cash —		
Share of annual profit in enterprise Crown corporations and other government business enterprises	-2,306	-4,773
Amortization of tangible capital assets	4,418	4,176
Net loss or gain (-) on disposal of tangible capital assets, including adjustments	693	-686
Change in inventories and prepaid expenses	-144	-708
Change in pension and other future benefits	6,850	4,948
Change in foreign exchange accounts	4,759	-9,410
Net change in other accounts	3,876	6,097
CASH USED BY OPERATING ACTIVITIES	***-37,452***	***-6,111***
CAPITAL INVESTMENT ACTIVITIES —		
Acquisition of tangible capital assets	-7,136	-6,249
Proceeds from disposal of tangible capital assets	297	608
CASH USED BY CAPITAL INVESTMENT ACTIVITIES	***-6,839***	***-5,641***
INVESTING ACTIVITIES —		
Enterprise Crown corporations and other government business enterprises —		
Equity transactions	-3,226	1,495
Issuances of loans and advances	-119,755	-132,057
Repayments of loans and advances	99,921	60,688
Issuances of other loans, investments and advances	-21,174	-6,910
Repayments of other loans, investments and advances	16,620	5,041
CASH USED BY INVESTING ACTIVITIES	***-27,614***	***-71,743***
TOTAL CASH USED BEFORE FINANCING ACTIVITIES	***-71,905***	***-83,495***
FINANCING ACTIVITIES —		
Issuances of canadian currency borrowings	554,892	531,668
Repayments of canadian currency borrowings	-499,383	-415,801
Issuances of foreign currencies borrowings	22,212	24,500
Repayments of foreign currencies borrowings	-24,351	-23,616
CASH PROVIDED BY FINANCING ACTIVITIES	***53,370***	***116,751***
NET DECREASE (-) OR INCREASE IN CASH	**-18,535**	**33,256**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	***46,985***	***13,729***
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	***28,450***	***46,985***
SUPPLEMENTARY INFORMATION		
Cash used for interest	15,887	17,666

The accompanying notes are an integral part of these statements.
Details (unaudited) can be found in other sections of this volume.

Notes to the Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

The reporting entity of the Government of Canada includes all departments, agencies, corporations, organizations, and funds, which are controlled by the Government. For financial reporting purposes, control is defined as the power to govern the financial and operating policies of an organization with benefits from the organization's activities being expected, or the risk of loss being assumed by the Government. All organizations defined as departments and as Crown corporations in the *Financial Administration Act* are included in the reporting entity. Other organizations not listed in the *Financial Administration Act* may also meet the definition of control and they are included in the Government's reporting entity if their revenues, expenses, assets or liabilities are significant.

The financial activities of all of these entities are consolidated in these financial statements, except for enterprise Crown corporations and other government business enterprises, which are not dependent on the Government for financing their activities. These corporations are recorded under the modified equity method.

The Canada Pension Plan (the Plan) is excluded from the reporting entity because changes to the Plan require the agreement of two thirds of participating provinces and it is therefore not controlled by the Government.

Basis of accounting

These financial statements are prepared using the Government's accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Revenues

The Government reports all revenues on an accrual basis. Tax revenues are non-exchange transactions, which are generally derived from exchange transactions between third parties. They are recognized in the period in which the event that gave rise to the revenue takes place. Income tax revenue is recognized when the taxpayer has earned the income subject to the tax. Domestic goods and services tax revenue is recognized at the time of the sale of goods or the provision of services and is presented on the Statement of Operations and Accumulated Deficit net of tax credits. Excise duties revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. Excise taxes revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. Customs duties and goods and services tax revenue on imports is recognized when goods are authorized to enter Canada.

Tax revenues are measured from amounts assessed and from estimates of amounts not yet assessed based on cash received. Annual revenues also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. Revenues do not include estimates for amounts of unreported taxes, or the impact of future reassessments that can not yet be reliably determined.

Tax revenues that were not collected at year-end and refunds that were not yet disbursed are reported respectively as taxes receivable and taxes payable on the Statement of Financial Position. These amounts also include other receivables and payables for amounts collected through the tax system such as provincial and territorial taxes, Employment Insurance premiums and Canada Pension Plan contributions.

Other revenues are recognized in the period to which they relate. Employment Insurance premiums are recognized as revenue in the period the insurable earnings are earned.

Expenses

The Government reports all expenses on an accrual basis. Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Public debt charges are recorded when incurred and include interest, servicing costs and costs of issuing new borrowings and amortization of premiums and discounts on market debt.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debts, for loans, investments and advances, and for inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

Cash and cash equivalents

Cash consists of public moneys on deposit and cash in transit less outstanding cheques and warrants. Cash equivalents consist mainly of term deposits usually not exceeding 31 days.

Foreign exchange accounts

Short-term deposits, marketable securities and special drawing rights held in the foreign exchange accounts are recorded at cost. Marketable securities are adjusted for amortization of purchase discounts and premiums. Purchases and sales of securities are recorded at the settlement date. Transaction costs are expensed as incurred for all classes of financial instruments.

Investment income earned with respect to foreign accounts as well as write-downs to reflect other than temporary impairment in the fair value of securities are included in net foreign exchange revenues on the Statement of Operations and Accumulated Deficit. Canada's subscriptions to the capital of the International Monetary Fund and loans to the International Monetary fund are recorded at cost.

Loans, investments and advances

Loans, investments and advances are initially recorded at cost and are adjusted to reflect the concessionary terms of those loans made on a long-term, low interest or interest-free basis and the portion of the loans that are expected to be repaid from future appropriations.

When necessary an allowance for valuation is recorded to reduce the carrying value of loans, investments and advances to amounts that approximate their net realizable value.

For loans to national governments, including developing countries, the allowance is determined based on the Government's identification and evaluation of countries that have formally applied for debt service relief, on estimated probable losses that exist on the remaining portfolio, and on changes in the economic conditions of sovereign debtors.

Non-financial assets

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets. For certain tangible capital assets where the costs are not readily available, such as older buildings, estimated current costs have been extrapolated retrospectively in a systematic and rational manner to approximate original costs. Assets acquired under capital leases are recorded at the present value of the minimum lease payments using the Government's Consolidated Revenue Fund term lending rate at the inception of the leases. The corresponding lease obligations are recorded under unmatured debt on the Statement of Financial Position. These assets are amortized over the lease term or over the estimated useful life of the asset if the lease term contains terms that allow ownership to pass to the Government or a bargain purchase option.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, the cost of works of art and museum collections and Crown land to which no acquisition cost is attributable. Intangible assets are also not recognized in the Government's financial statements.

Inventories are comprised of spare parts and supplies that are held for future program delivery including military activities and are not primarily intended for resale. They are valued at cost. Inventories that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

Non-financial assets are not taken into consideration when determining the net debt of the Government, but rather are deducted from the net debt to determine the accumulated deficit.

Unmatured debt

Unmatured debt consists of market debt, cross currency swap revaluations and the obligation related to capital leases. Market debt is recorded at face value and is adjusted by discounts and premiums which are amortized on a straight line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as part of public debt charges. The Government's holdings of its own securities, if any, are deducted from market debt to report the liability to external parties.

Cross currency swap revaluations consist of unrealized gains or losses due to fluctuations in the foreign exchange value of the cross currency swaps entered into by the Government.

The obligation related to capital leases represents the present values of the remaining minimum lease payments under the capital lease arrangements using the Government's Consolidated Revenue Fund term lending rate at the inception of the leases with the corresponding assets under capital lease recorded under tangible capital assets on the Statement of Financial Position.

Public sector pensions and other employee and veteran future benefits

Employee entitlements to pension benefits and to other employee and veteran future benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. When actual experience varies from estimates, the adjustments are amortized over the estimated average remaining service lives of the employees.

Contingent liabilities

Contingent liabilities, including provisions for losses on loan guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For loan guarantees, the amount of the allowance is estimated by taking into consideration the nature of the loan guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

Environmental liabilities

Environmental liabilities consist of the estimated costs related to the remediation of environmentally contaminated sites as well as estimated costs related to the Government's obligations associated with the future asset restoration costs.

The liability for remediation of environmentally contaminated sites is accrued and an expense recorded based on management's best estimates when the contamination occurs or when the Government becomes aware of the contamination and is obligated, or is likely obligated to incur costs associated with remediation and management of the contaminated site. The liability reflects the present value of estimated cash flows required to remediate the environmentally contaminated sites to an acceptable condition according to the current and intended use of the sites by the Government where such amounts can be reasonably estimated.

The liability for future asset restoration costs is accrued and the related costs are capitalized and amortized over the associated asset's estimated useful life based on management's best estimates of the cost to meet obligations imposed by legislation, regulation and/or contractual agreements. The liability reflects the present value of estimated future cash flows required to restore the assets where amounts can be reasonably estimated and is expected to be settled as the related sites, facilities and/or assets are removed from service.

The recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's obligation is not determinable or if an amount cannot be reasonably estimated, a contingent liability is disclosed in the notes to the financial statements.

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using rates at March 31. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Accumulated Deficit according to the activities to which they relate. Net gains and losses relating to the foreign exchange accounts, foreign debt and swap revaluations are presented with investment revenues from foreign exchange accounts under net foreign exchange revenues. Net gains and losses related to loans, investments and advances are presented with the return on investments from these loans, investments and advances under other program revenues. Net gains and losses relating to departmental sale or purchase of goods or services in foreign currency are reported in ministry expenses under other program expenses.

Use of estimates and measurement uncertainty

The preparation of financial statements requires the Government to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these estimates are subject to measurement uncertainty. These are based on facts and circumstances available at the time estimates and assumptions are made, historical loss experience and general economic conditions. The effect of changes to such estimates and assumptions in future periods could be significant to the financial statements. The significant estimates used in these financial statements affect the accrual of tax revenues and the related amounts receivable and payable, including the liabilities under provincial and territorial tax collection agreements, valuation allowances for loans, investments and advances, obligations for public sector pensions and other employee and veteran future benefits, contingent liabilities, environmental liabilities and transfer payments to other levels of government.

Other comprehensive income or loss

Other comprehensive income or loss, resulting from the accounting of enterprise Crown corporations and other government business enterprises under the modified equity method, is excluded from the calculation of the Government's annual deficit and is recorded directly to the Government's accumulated deficit and net debt.

Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

2. Spending and Borrowing Authorities

i. Spending authorities

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes. The Government uses the full accrual method of accounting to prepare its Budget and present its current financial statements. However, the spending authorities voted by Parliament remain on an expenditure basis, which uses only a partial accrual method of accounting. During the year, expenditures were made under the following authorities:

	(in millions of dollars)	
	2010	2009
Annual spending limits voted by Parliament	97,630	87,343
Expenditures permitted under other legislation	138,602	128,036
Total budgetary expenditures authorized	236,232	215,379
Less: amounts available for use in subsequent years and amounts that have lapsed, net of overexpended amounts	11,271	7,592
Total net expenditures	224,961	207,787
Effect of consolidation and full accrual accounting	49,237	31,060
Total expenses	274,198	238,847

The use of budgetary expenditure authorities reported in the preceding table differs from the total expenses reported in the Statement of Operations and Accumulated Deficit. The difference is due to various factors. Spending authorities are presented on a partial accrual basis, while the Statement of Operations and Accumulated Deficit is prepared on a full accrual basis. The transactions of certain accounts with separate non-budgetary authorities and of certain Crown corporations or other controlled entities are consolidated with the Government's financial statements but are not included in the budgetary expenditure authorities available for use. Transfer payments to organizations within the Government reporting entity are recorded against a budgetary expenditure authority in the year they are disbursed to the organization, but they are recorded as a consolidated expense only when they are disbursed to the ultimate recipient outside of the Government reporting entity. Provisions for valuation of assets and liabilities are also not included in spending authorities.

In addition to the authorities for budgetary expenditures, non-budgetary spending of $306,204 million ($244,061 million in 2009) was authorized for loans, investments and advances. A net amount of $140,686 million was used ($134,052 million in 2009), an amount of $36,587 million lapsed ($24 million in 2009) and an amount of $128,931 million is available for use in subsequent years ($109,985 million in 2009).

Details (unaudited) about the source and disposition of authorities and the details of ministerial expenditures are provided in Volume II of the *Public Accounts of Canada*.

ii. Over-expenditure of spending authorities

During the year, the Canadian Institutes of Health Research's grant authorities — Grants for research projects and personnel support was overspent by less than $1,200,000 and Institute support grants was overspent by less than $75,000.

In addition, the Canadian Heritage's grant authority — Grants to the Lieutenant-Governors of the provinces of Canada toward defraying the costs incurred in the exercise of their duties: Newfoundland was overspent by less than $100.

Details (unaudited) of these overexpended authorities can be found in the ministerial sections of Volume II of the *Public Accounts of Canada*.

iii. Borrowing authorities

The Government may borrow only on the authority of Parliament which is contained in Part IV of the *Financial Administration Act*. Section 43.1 of the *Financial Administration Act* empowers the Governor in Council to authorize the Minister of Finance to borrow money on behalf of Her Majesty in right of Canada. In 2010, the Governor in Council specified $370,000 million ($296,000 million in 2009) to be the maximum aggregate amount of principal that may be borrowed during the fiscal year. The maximum aggregate amount of principal is the sum of *i)* the maximum stock of treasury bills anticipated to be outstanding during the year, *ii)* the total value of anticipated new issuances of marketable bonds and retail debt and *iii)* an amount to facilitate intra-year management of the debt and foreign exchange reserves. During the year, $289,521 million ($279,313 million in 2009) of the borrowing authority was used.

iv. Comparison of results against budget

The budget amounts included in the Statement of Operations and Accumulated Deficit and the Statement of Change in Net Debt are derived from the amounts that were originally budgeted for 2010 in the January 2009 Budget Plan (Budget 2009). Since actual opening numbers of the accumulated deficit and net debt were not available at the time of preparation of Budget 2009, the corresponding amounts in the budget column have been adjusted to the actual closing numbers of the previous year.

3. Expenses

Expenses in the Statement of Operations and Accumulated Deficit include:

i. Major transfer payments to other levels of government

	(in millions of dollars)	
	2010	2009
Canada health transfer	24,820	22,759
Canada social transfer	10,858	10,568
Fiscal arrangements	16,193	15,138
Other major transfers	7,822	1,024
Alternative payments for standing programs (1)	-2,703	-2,974
Total major transfer payments to other levels of government	56,990	46,515

Details (unaudited) can be found in Section 3 of this volume and in Section 1 of Volume II of the *Public Accounts of Canada*.

(1) These amounts represent amounts recovered from a province that has entered into an abatement arrangement with the Government of Canada for personal income tax payers of that province.

ii. Public debt charges

	(in millions of dollars)	
	2010	2009
Public debt charges related to unmatured debt —		
Interest on unmatured debt	14,023	13,422
Amortization of discounts on Canada and Treasury Bills	1,229	3,643
Amortization of premiums and discounts on all other debts	1,721	1,455
Cross currency swap revaluation	-438	-218
Servicing costs and costs of issuing new borrowings	32	28
Capital lease obligations	228	233
Total	16,795	18,563
Interest expense related to public sector pensions and other employee and veteran future benefits	12,343	12,120
Other	276	307
Total public debt charges	29,414	30,990

Certain comparative figures have been reclassified to conform to the current year's presentation.
Details (unaudited) can be found in Section 3 of this volume.

iii. Total expenses by segment

The Government has defined the segments as the Ministries and Crown corporations and other entities. Additional segmented information is provided in Note 17. The following table presents the total expenses by segment after the elimination of internal transactions:

	(in millions of dollars)	
	2010	2009
Ministries —		
Agriculture and Agri-Food	3,234	3,446
Atlantic Canada Opportunities Agency	377	290
Canada Revenue Agency	17,223	16,813
Canadian Heritage	2,291	1,824
Citizenship and Immigration	1,663	1,400
Economic Development Agency of Canada for the Regions of Quebec	343	258
Environment	1,838	1,796
Finance	85,447	77,604
Fisheries and Oceans	1,885	1,625
Foreign Affairs and International Trade	12,268	6,307
Governor General	19	20
Health	6,159	5,010
Human Resources and Skills Development	66,068	58,607
Indian Affairs and Northern Development	9,151	7,327
Industry	6,179	4,554
Justice	1,541	1,384
National Defence	21,137	19,009
Natural Resources	3,544	4,731
Parliament	581	548
Privy Council	359	561
Public Safety and Emergency Preparedness	9,951	9,132
Public Works and Government Services	2,792	2,428
Transport	5,532	3,669
Treasury Board	2,501	2,193
Veterans Affairs	1,024	1,018
Western Economic Diversification	408	237
Provision for valuation and other items	-335	-1,406
Total ministries	263,180	230,385
Crown corporations and other entities	11,018	8,462
Total expenses	274,198	238,847

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

iv. *Total expenses by type of resources used in the operations*

The Statement of Operations and Accumulated Deficit and the previous table present a breakdown of expenses by segment, which represent the expenses incurred for each of the main functions of the Government. The following table presents the detail of these expenses broken down by the main objects of expense:

	(in millions of dollars)	
Objects of expense	2010	2009
Transfer payments	165,461	138,293
Other program expenses —		
Crown corporations [1]	9,873	7,680
Personnel	41,009	35,593
Transportation and communications	3,098	3,224
Information	347	317
Professional and special services	8,148	7,450
Rentals	1,892	1,748
Repair and maintenance	3,205	2,892
Utilities, materials and supplies	3,117	3,071
Other subsidies and expenses	3,799	3,240
Amortization of tangible capital assets	4,418	4,176
Net loss on disposal of assets	417	173
Total other program expenses	79,323	69,564
Total program expenses	244,784	207,857
Public debt charges	29,414	30,990
Total expenses	274,198	238,847

Details (unaudited) reconciling objects of expense to objects of expenditure can be found in Section 3 of this volume and details (unaudited) on ministerial expenditures by object can be found in Section 1 of Volume II of the *Public Accounts of Canada*.

(1) This amount differs from the expense shown on the Statement of Operations and Accumulated Deficit due to the amortization of tangible capital assets and the net loss on disposal of assets of consolidated Crown corporations, which have been reclassified within their respective object of expense.

v. *Significant transactions*

Financial assistance to the automotive sector

The Government entered into agreements with Ontario to provide financial assistance to the automotive sector, whereby Ontario contributed one-third of the financial assistance and participates with the Government in any future economic benefit or loss resulting from these transactions. Amounts indicated below include both the Government and Ontario portion of the transactions except where specifically indicated.

The Government entered into agreements with various corporate entities of General Motors and Chrysler to provide loans to both companies and to acquire common and preferred shares in a restructured General Motors and membership interests in Chrysler. Disbursements to General Motors totalling $10,846 million (nil in 2009) and to Chrysler totalling $2,637 million ($250 million in 2009) occurred during the year.

On July 10, 2009, the Government exchanged loans to General Motors totalling $9,753 million for 16,101,695 series A preferred shares and 58,368,644 common shares, representing 4.5 percent and 11.7 percent of the outstanding preferred and common shares, respectively. At the exchange date, the fair value of the preferred and common shares was estimated to be $3,149 million. This amount has been recorded as an increase in loans, investments and advances on the Statement of Financial Position. A net amount of $4,402 million, representing the Government's two-thirds share of the difference between the face value of the loans and the fair value of the equity as at the exchange date has been recorded as a transfer payment expense on the Statement of Operations and Accumulated Deficit.

Principal repayments totalling $401 million were received from General Motors during the year, reducing loans outstanding at March 31, 2010, to $1,288 million (nil in 2009). A further principal repayment of $1,096 million was received in April 2010.

At March 31, 2010, loans outstanding to Chrysler total $2,902 million ($250 million in 2009). Repayment of these loans is scheduled to be completed by 2017.

As additional consideration for providing loans to Chrysler, the Government acquired 24,615 class A membership interests, representing 2.5 percent of the membership interests in Chrysler on an undiluted basis (2 percent on a fully diluted basis), with an estimated fair value of $20 million at the acquisition date. This amount has been recorded as an increase in loans, investments and advances on the Statement of Financial Position.

A liability to Ontario representing its one-third proportionate participation in the value of the loans receivable, membership interests and common and preferred shares as at March 31, 2010, has been recorded in accounts payable and accrued liabilities on the Statement of Financial Position.

Harmonized Sales Tax (HST) Transitional Assistance to Ontario and British Columbia

During the year, the Government signed Comprehensive Integrated Tax Coordination Agreements with the provinces of Ontario and British Columbia with the intent to harmonize the sales taxes in those provinces and the federal goods and services tax.

As part of the terms to these agreements, the Government agreed to provide transitional payments to both provinces in fiscal years 2011 and 2012. Ontario will receive $4,300 million and British Columbia will receive $1,599 million. An amount totalling $5,899 million has been recorded in 2010 as a transfer payment expense on the Statement of Operations and Accumulated Deficit and is included in other accounts payable and accrued liabilities on the Statement of Financial Position. Of this amount accrued, $4,019 million will be paid in fiscal year 2011 and $1,880 million will be paid in fiscal year 2012.

4. Accumulated Deficit

The Government includes in its revenues and expenses, the transactions of consolidated Crown corporations and other entities controlled by the Government, and of certain accounts established for specified purposes. Legislation requires that the revenues of these specified purpose accounts be identified and that related payments be charged against such revenues. Except for the Employment Insurance Operating Account, any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balance of these consolidated accounts and the equity of the consolidated Crown corporations and other entities included in the accumulated deficit:

	(in millions of dollars)	
	2010	2009
Accumulated deficit, excluding consolidated specified purpose accounts and accumulated other comprehensive income	575,972	525,541
Adjustment: Closure of the Employment Insurance Account	-57,043	
	518,929	525,541
Consolidated specified purpose accounts —		
Employment Insurance Account		-57,171
Employment Insurance Operating Account	4,936	
Other insurance accounts	-444	-366
Other consolidated accounts	-344	-322
	523,077	467,682
Consolidated Crown corporations and other entities	-3,574	-3,777
Accumulated other comprehensive income	-406	-195
Accumulated deficit	519,097	463,710

Details (unaudited) can be found in Section 4 of this volume.

i. Employment Insurance

In July 2010, Parliament approved the *Jobs and Economic Growth Act* which includes amendments to the *Employment Insurance Act* that are legally deemed to have come into force on January 1, 2009.

The Act deems the former Employment Insurance Account to have been closed as of December 31, 2008 and the Employment Insurance Operating Account to have been established in the accounts of Canada as of January 1, 2009. As a result, the Employment Insurance Account has been incorporated into the accumulated deficit and removed from the accounts of Canada. The balance of both accounts is presented in the table above including the adjustment for the closure of the Employment Insurance Account in the current year to reflect the legislative changes approved in July 2010.

The audited financial statements of the Employment Insurance Operating Account can be found in Section 4 of this volume.

ii. Accumulated other comprehensive income

For enterprise Crown corporations and other government business enterprises recorded under the modified equity method, certain unrealized gains and losses on financial instruments are recorded as other comprehensive income or loss and are excluded from the calculation of profit or loss until realized. These unrealized gains and losses result from a change in market value of financial assets classified as available-for-sale or derivative instruments used in hedging activities.

Other comprehensive income or loss is also excluded from the calculation of the Government's annual deficit. It is instead recorded directly against the Government's accumulated deficit. Upon realization of these gains and losses, the associated amounts are recorded in the profit or loss of enterprise Crown corporations and other government business enterprises and, therefore, reflected in the Government's annual deficit.

The following table presents the different components of other comprehensive income or loss as well as accumulated other comprehensive income included in the Government's accumulated deficit:

	(in millions of dollars)	
	2010	2009
Accumulated other comprehensive income at beginning of year	195	513
Other comprehensive income or loss (-) —		
Net change in unrealized gains or losses (-) on available-for-sale financial instruments	414	-625
Net change in fair value of derivatives designated as hedges	-203	307
Total	211	-318
Accumulated other comprehensive income at end of year	406	195

5. Unmatured Debt

Unmatured debt includes:

	(in millions of dollars)	
	2010	2009
Market debt —		
Payable in Canadian currency	556,118	500,516
Payable in foreign currencies............	8,243	10,381
Total	564,361	510,897
Cross currency swap revaluation............................	-4,233	3,690
Unamortized discounts and premiums on market debt.........................	-5,092	-4,751
Obligation related to capital leases	4,090	4,184
Total unmatured debt.....................	559,126	514,020

Unamortized discounts result from Treasury bills and Canada bills which are issued at a discount in lieu of interest. Discounts or premiums also result from the Government's bond buy back program and from issuance of market debt when the face value of the instrument issued differs from the proceeds received. The unamortized portion represents the amount of premium and discount that has not yet been recorded to public debt charges.

i. Market Debt

The following table presents the contractual maturity of debt issues and interest rates by currency and type of instrument at gross value (in Canadian $) and the effective average annual interest rates including swaps on foreign currency bonds and notes:

	(in millions of dollars)							
	Marketable bonds					Bonds for Canada Pension	Canada bills	
Maturing year	Canadian $	US$	Euro	Treasury bills	Retail debt (1)	Plan	US$	Total
2011	26,033			175,900	857	425	2,453	205,668
2012...............	57,211				723	16		57,950
2013...............	40,256				1,246	11		41,513
2014...............	24,770				1,166			25,936
2015...............	40,754	3,047			753			44,554
2016 and subsequent ..	178,989	54	2,744		7,110			188,897
	368,013	3,101	2,744	175,900	11,855	452	2,453	564,518
Less: Government's holdings of unmatured debt (2)............	51	55		51				157
Total market debt..............	367,962	3,046	2,744	175,849	11,855	452	2,453	564,361
Nature of interest rate (3)	Fixed (4)	Variable	Fixed	Variable	Variable	Fixed	Variable	
Effective weighted average annual interest rates including swaps on foreign currency bonds and notes	3.87	2.49	3.50	0.40	1.32	11.19	0.13	
Range of interest rates..............	1.00 - 11.25	2.38 - 9.70	3.50	0.17 - 0.77	0.40 - 3.50	9.17 - 11.33	0.01 - 0.45	

Details (unaudited) can be found in Section 6 of this volume.

(1) Includes $6,862 million of Canada savings bonds having fixed dates of maturity which are redeemable on demand.

(2) Includes $55 million of securities held for the retirement of unmatured debt and $102 million of consolidation adjustments.

(3) Debt with maturity terms of less than one year is considered to have a variable interest rate. For marketable bonds and foreign currency notes, some of the fixed interest rates were converted into variable interest rates through swap agreements.

(4) Includes real return bonds which have a variable component based on the consumer price index.

ii. Obligation related to capital leases

The Government's total obligation related to capital leases as at March 31, 2010 is $4,090 million ($4,184 million in 2009). Interest on this obligation of $228 million ($233 million in 2009) is reported in the Statement of Operations and Accumulated Deficit as part of public debt charges. Future minimum lease payments are summarized as follows:

Maturing year	(in millions of dollars)
2011	530
2012	469
2013	441
2014	463
2015	393
2016 and subsequent	4,387
Total minimum lease payments	6,683
Less: imputed interest at the average rate of 5.95 percent	2,593
Obligation related to capital leases	4,090

Details (unaudited) can be found in Section 6 of this volume.

6. Public Sector Pensions and Other Employee and Veteran Future Benefits

i. Pension benefits - plan overview

The Government sponsors defined benefit pension plans covering substantially all the employees of the Public Service, as well as Public Service corporations, members of the Canadian Forces including the Reserve Force, members of the Royal Canadian Mounted Police, federally appointed judges and Members of Parliament. In this note, the term "employees" is used in a general manner to apply to plan members of all of these groups.

The Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans represent the three main public sector pension plans. For these plans, pension benefits generally accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service multiplied by the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and they are indexed to inflation. Basic allowances provided under the Members of Parliament retiring allowances plan accrue at a rate of three percent per year of pensionable service multiplied by the average of the best five years of sessional indemnity. Pension benefits for federally appointed judges do not have an explicit accrual rate. Instead, they become payable once the member has completed 15 years of pensionable service and the sum of the member's age and years of service totals 80.

The Government has a statutory obligation for the payment of benefits relating to the pension plans.

The plans are generally funded from employee contributions, employer contributions, and investment earnings. Pursuant to pension legislation, the net amount of contributions less benefit and other payments related to post March 2000 service for the three main public sector pension plans and all service for the Reserve Force pension plan has been invested in capital markets. The net amount of contributions less benefit and other payments pertaining to the pre April 2000 service for the three main public sector pension plans and all service periods for the federally appointed judges and the Members of Parliament pension plans, are recorded in pension accounts within the accounts of Canada pursuant to pension legislation, but are not invested externally.

The following table presents a summary of pension contribution and benefit transactions in the year:

	(in millions of dollars)					
	2010			2009		
	Funded plans	Others	Total	Funded plans	Others	Total
Contributions —						
Employees	1,922	71	1,993	1,645	73	1,718
Public Service corporations	204	11	215	203	11	214
Government	3,653	198	3,851	3,285	185	3,470
Total	5,779	280	6,059	5,133	269	5,402
Benefits paid	654	7,609	8,263	505	7,353	7,858

Details (unaudited) can be found in Section 6 of this volume.

ii. Other future benefits - plan overview

The Government sponsors a variety of other employee and veteran future benefit plans from which employees and former employees can benefit, during or after employment or upon retirement. The cost of these benefits accrues either as employees render service or upon the occurrence of an event giving rise to the liability under the terms of the plans. The Government is liable for future payments for disability and other benefits paid to war veterans, current and retired members of the Canadian Forces and the Royal Canadian Mounted Police as well as the survivors and dependants of these groups. Other significant future benefits for which the Government is liable include the health care and dental plans available to retired employees and their dependants, severance benefits, and workers' compensation benefits.

All of these plans are unfunded. For retirees, the health care and dental plans are contributory plans, whereby contributions by retired plan members are made in the year in which the benefits are payable. These contributions amounted to $127 million in 2010 ($122 million in 2009). The Government's costs and benefits paid are presented net of these contributions.

iii. Future benefits liabilities

The pensions and other future benefits liabilities include the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2010	2009	2010	2009
Accrued benefit obligation	201,413	190,280	71,391	79,947
Less: Pension plan assets —				
Market related value of investments	44,893	37,155		
Contributions receivable from employees for past service	513	626		
Total	45,406	37,781		
	156,007	*152,499*	*71,391*	*79,947*
Unamortized estimation adjustments	-13,164	-12,590	-17,164	-29,636
Future benefit liability	142,843	139,909	54,227	50,311

Details (unaudited) can be found in Section 6 of this volume.

(a) Pension plan assets

Pension plan assets include marketable investments and contributions receivable from employees for past service buy back elections. The investments are valued at market related values and contributions receivable for past service are discounted to approximate their fair value.

The market related value of investments is established on the basis of an expected rate of return on investments, within a ceiling of plus or minus 10 percent of the market value of investments, whereby the fluctuations between the market value and expected market value are averaged over a five-year period. In 2009, fluctuations exceeding the ceiling resulted in a one-time increase of $6,433 million to unamortized estimation adjustments that is being amortized over the estimated average remaining service lives of plan members. There was no one-time increase to unamortized estimation adjustments in 2010 as fluctuations did not exceed the ceiling. At March 31, 2010, the market value of the investments is $46,270 million ($33,777 million in 2009).

Changes in market related values from year to year are recognized in other program expenses on the Statement of Operations and Accumulated Deficit through the calculation of expected return on plan investments and the amortization of the fluctuation between expected market values and market values of plan investments over the estimated average remaining service lives of plan members. As a result, variations in market value may reverse, or change significantly, before they are fully recognized in the Statement of Operations and Accumulated Deficit.

iv. Future benefits expense

The pensions and other future benefits expense includes the following components:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2010	2009	2010	2009
Benefits expense —				
Benefits earned, net of employee contributions	3,471	3,612	2,263	1,630
Amortization of estimation adjustments	1,064	315	3,007	2,056
Plan amendments			-254	
Recognition of net unamortized losses			445	
Total	4,535	3,927	5,461	3,686
Interest expense —				
Interest on average accrued benefit obligation	11,878	11,846	2,566	2,687
Expected return on average pension plan investments	-2,101	-2,413		
Total	9,777	9,433	2,566	2,687
Total future benefits expense	14,312	13,360	8,027	6,373

Details (unaudited) can be found in Section 6 of this volume.

(a) Plan amendments

In 2010, an amendment to veteran future benefits and an increase in the member contribution rate for pensioner dental benefits were approved resulting in the recognition of a one-time past service cost of $196 million and a one-time past service cost reduction of $450 million, respectively. In addition, these amendments resulted in the immediate recognition of accelerated amortization of unamortized estimation adjustment gains of $5 million related to veteran future benefits and losses of $450 million related to pensioner dental benefits.

In 2009, there were no amendments made to the pensions and other future benefits plans that resulted in the recognition of one-time estimated past service costs.

(b) Interest expense

The interest expense calculated on the average accrued benefit obligation for the year is reported as part of public debt charges. It is presented net of the expected return on the average market related value of pension plan investments for the year. During the year, the actual rate of return of marketable investments calculated on a time-weighted basis was 21.5 percent (negative 22.7 percent in 2009). The negative return experienced in 2009 resulted primarily from the turmoil and significant volatility in global financial markets. Given that the investment horizon of the pension plans is long-term in nature, the negative return is not expected to impact the long-term target return on the portfolio.

v. *Change in accrued benefit obligation and market related value of investments*

The changes in the accrued benefit obligation and in the market related value of investments during the year were as follows:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2010	2009	2010	2009
Accrued benefit obligation at beginning of year	190,280	178,580	79,947	67,480
Benefits earned	5,653	5,516	2,263	1,630
Interest on average accrued benefit obligation	11,878	11,846	2,566	2,687
Benefits paid	-8,263	-7,858	-4,063	-3,918
Administrative expenses	-162	-147	-48	-45
Net transfers to other plans	-156	-291		
Plan amendments			-254	
Actuarial losses or gains (-)	2,183	2,634	-9,020	12,113
Accrued benefit obligation at end of year	201,413	190,280	71,391	79,947
Market related value of investments at beginning of year	37,155	38,691		
Expected return on average pension plan investments	2,101	2,413		
Contributions	5,779	5,133		
Benefits, transfers and others	-800	-702		
Actuarial gains or losses (-)	658	-8,380		
Market related value of investments at end of year	44,893	37,155		

vi. *Actuarial valuations and assumptions*

Actuarial valuations of the pension plans are performed every three years for funding purposes. The most recent valuations for the Public Service, Canadian Forces, Royal Canadian Mounted Police and Reserve Force pension plans were conducted as at March 31, 2008, while the valuations for the Members of Parliament and the federally appointed judges pension plans were conducted as at March 31, 2007.

The valuations for pensions and other future benefits, except for the veteran future benefits, are updated annually for accounting purposes based on the most recent or any in-progress triennial valuation. The valuation for the veteran future benefits is performed every year for accounting purposes.

All annual actuarial valuations are prepared using assumptions that are based on the Government's best estimates. The valuations are prepared using the projected benefit method prorated on service, except for the veteran future benefits and workers' compensation valuations, where benefits are accrued on an event driven basis. Assumptions required for this process include estimates of future inflation, interest rates, expected return on pension plan investments, general wage increases, work-force composition, retirement rates and mortality rates. Estimation adjustments arise when actual experience varies from these assumptions. These adjustments are amortized over the estimated average remaining service lives of plan members, which represent periods ranging from 5 to 23 years (5 to 15 years in 2009) according to the plan in question.

The assumptions for the long-term rate of inflation and long-term general wage increase used in the accounting valuations of all the plans are 2.0 percent and 2.9 percent respectively (2.0 percent and 2.9 percent in 2009). The discount rates used to value the accrued benefit obligation and the corresponding assumptions used in the cost of current service and in the interest expense are as follows:

	2010			2009		
	Accrued benefit obligation valuation		Expense valuation	Accrued benefit obligation valuation		Expense valuation
	Initial	Ultimate		Initial	Ultimate	
Discount rates - pensions —						
Expected rates of return on pension plan investments	5.8%	6.3%	5.3%	5.3%	6.3%	5.9%
Expected weighted average of long-term bond rates	6.5%	5.1%	6.8%	6.8%	5.0%	7.1%
Discount rates - other future benefits —						
Expected long-term bond rates	4.3%	5.0%	3.3%	3.3%	5.0%	4.1%
Cost increase rates - health care —						
Expected health care cost increase rates	8.3%	3.5%	8.3%	8.3%	3.5%	8.0%
Expected year to achieve ultimate rate		2024			2023	

Changes in assumptions can result in significantly higher or lower estimates of the accrued benefit obligation. The following table illustrates the possible impact of a one percent change in the main assumptions:

	(in millions of dollars)			
	Pensions		Other future benefits	
	2010	2009	2010	2009
Possible impact on the accrued benefit obligation due to:				
Increase of one percent in discount rate	-25,700	-24,500	-9,200	-11,300
Decrease of one percent in discount rate	32,600	31,100	12,000	15,000
Increase of one percent in inflation rate	25,000	23,700	10,700	13,200
Decrease of one percent in inflation rate	-20,600	-19,600	-8,300	-10,100
Increase of one percent in general wage increase	5,400	4,900	600	600
Decrease of one percent in general wage increase	-4,800	-4,200	-500	-500
Increase of one percent in health care cost increase			4,100	4,800
Decrease of one percent in health care cost increase			-3,100	-3,600

7. Other Liabilities

Other liabilities include:

	(in millions of dollars)	
	2010	2009
Due to Canada Pension Plan	175	90
Others —		
Government Annuities Account	243	267
Deposit and trust accounts	2,202	1,988
Other specified purpose accounts	3,967	3,578
	6,412	5,833
Total other liabilities	6,587	5,923

i. Due to Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec, which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, and from the income earned on investments. As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, 2010, the fair value of the Plan's net assets is $131,420 million ($110,022 million in 2009).

The Canada Pension Plan Account (the Account) was established in the Accounts of Canada to record the transactions of the Plan, as well as the amounts transferred to or received from the Canada Pension Plan Investment Board. The Plan's deposit with the Receiver General for Canada of $175 million ($90 million in 2009) corresponds to the balance in the Account and is reported as the Government's liability to the Plan at March 31, 2010.

Details (unaudited) and the audited financial statements of the Plan can be found in Section 6 of this volume.

ii. Others

The Government Annuities Account, the deposit and trust accounts and the other specified purpose accounts are liability accounts that are used to record transactions made under authorities obtained from Parliament through either the *Financial Administration Act* or other specific legislation. Details (unaudited) on these accounts can be found in Section 6 of this volume.

8. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

	(in millions of dollars)	
	2010	2009
Cash	16,871	30,608
Cash equivalents	11,579	16,377
Total cash and cash equivalents	28,450	46,985

Details (unaudited) can be found in Section 7 of this volume.

9. Taxes and Other Accounts Receivable

Taxes receivable represent tax revenues that were assessed by year-end as well as amounts receivable due to the accrual of tax revenues as at March 31. These accrued receivables are not due until the next fiscal year. They also include other receivables for amounts collected through the tax system such as provincial and territorial taxes, Employment Insurance premiums and Canada Pension Plan contributions.

The Government has established an allowance for doubtful accounts of $9,990 million ($9,486 million in 2009) based on aging and a review of individually large receivable balances and has recorded a bad debt expense of $2,873 million ($3,216 million in 2009), which is charged against other program expenses. The details of the taxes receivable and allowance for doubtful accounts are as follows:

	(in millions of dollars)					
	2010			2009		
	Total taxes receivable	Allowance for doubtful accounts	Net	Total taxes receivable	Allowance for doubtful accounts	Net
Income taxes receivable —						
Individuals	40,303	4,925	35,378	42,233	4,356	37,877
Employers	15,010	822	14,188	14,396	725	13,671
Corporations	10,714	1,849	8,865	12,164	1,770	10,394
Non-residents	1,183	142	1,041	1,235	151	1,084
Goods and services tax receivable	9,958	2,188	7,770	9,388	2,397	6,991
Customs duties receivable	190	23	167	227	25	202
Excise taxes and duties receivable	1,695	41	1,654	1,754	62	1,692
Total	79,053	9,990	69,063	81,397	9,486	71,911

Details (unaudited) can be found in Section 7 of this volume.

Other accounts receivable represent billed or accrued financial claims arising from amounts owed to the Government at year-end. Total other accounts receivable amount to $5,036 million ($4,580 million in 2009) and are presented net of an allowance for doubtful accounts of $1,344 million ($1,329 million in 2009). Further details (unaudited) can be found in Section 7 of this volume.

10. Foreign Exchange Accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. The Government holds certain investments in its Exchange Fund Account to provide general liquidity and to promote orderly conditions in the foreign exchange market for the Canadian dollar. As at March 31, 2010, the fair value of the marketable securities contained in the Exchange Fund Account is $45,423 million ($50,674 million in 2009). Subscriptions and loans to the International Monetary Fund (IMF) and special drawing rights allocations are denominated in special drawing rights (SDR). The SDR serves as the unit of account for the IMF and its value is based on a basket of key international currencies. Further details on these investments are provided in the audited financial statements of the Exchange Fund Account in Section 8 of this volume.

The following table presents the balances of the foreign exchange accounts:

	(in millions of dollars)	
	2010	2009
International reserves held in the Exchange Fund Account —		
Cash and short-term deposits —		
US dollars	226	548
Euros	175	272
Japanese yen	91	106
Total	492	926
Marketable securities —		
US dollars	24,478	27,404
Euros	19,442	21,641
Japanese yen	217	
Total	44,137	49,045
Special drawing rights	9,066	1,216
Gold	6	7
Total	53,701	51,194
International Monetary Fund —		
Subscriptions	9,823	12,011
Loans [1]	337	
Total	63,861	63,205
Less:		
International Monetary Fund —		
Notes payable	7,676	10,027
Special drawing rights allocations	9,235	1,469
Total	16,911	11,496
Total foreign exchange accounts	46,950	51,709

Certain comparative figures have been reclassified to conform to the current year's presentation.

Details (unaudited) can be found in Section 8 of this volume.

[1] On July 6, 2009, the Government and the IMF signed a two year bilateral borrowing agreement. This commitment, limited to maximum borrowings by the IMF of US $10,000 million, is for additional temporary resources for member countries.

11. Crown Corporations and Other Entities

Forty-two parent Crown corporations are included in the reporting entity of the Government. There are also a number of not-for-profit organizations and other government business enterprises that meet the definition of control for financial reporting purposes and are included in the reporting entity of the Government.

i. Consolidated Crown corporations and other entities

Some of these Crown corporations and not-for profit organizations rely on the Government for most of their financing. There are twenty-five parent Crown corporations and five not-for-profit organizations whose financial activities are consolidated in these financial statements. The major consolidated Crown corporations are Atomic Energy of Canada Limited, Canadian Air Transport Security Authority, Canadian Broadcasting Corporation and VIA Rail Canada Inc. The major consolidated not-for-profit organizations are the Canada Foundation for Innovation and the Canada Foundation for Sustainable Development Technology. Detailed information (unaudited) on these consolidated entities is included in Section 4 of this volume.

ii. Enterprise Crown corporations and other government business enterprises

The remaining Crown corporations are government business enterprises that are able to raise substantial portions of their revenues through commercial business activity and are therefore considered self-sustaining. These Crown corporations are called enterprise Crown corporations. The major enterprise Crown corporations include the Bank of Canada, Canada Mortgage and Housing Corporation, Canada Post Corporation and Export Development Canada.

There are also a number of self-sustaining government business enterprises that are not Crown corporations but which are controlled by the Government. These are referred to as other government business enterprises. The major other government business enterprises include The Canadian Wheat Board and the various Port Authorities.

The investments in enterprise Crown corporations and other government business enterprises are recorded under the modified equity method, whereby the cost of the Government's equity is reduced by dividends received and adjusted to include the annual profits and losses of these corporations, after elimination of unrealized inter-organizational gains and losses. Most of these corporations follow Canadian generally accepted accounting principles used by private sector companies. Under the modified equity method, the corporations' accounts are not adjusted to the Government's basis of accounting and other comprehensive income or loss of enterprise Crown corporations and other government business enterprises is recorded directly to the Government's accumulated deficit and net debt.

The assets and liabilities of enterprise Crown corporations and other government business enterprises are not included in these financial statements, except for their borrowings which are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations. The Government also reports any amounts receivable from or payable to these corporations and where the Government has advanced funds to the corporations to support their direct lending activities, the amounts are recorded as loans and advances by the Government.

The following table presents the Government's recorded loans, investments and advances in significant enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)	
	2010	2009
Investments —		
Canada Mortgage and Housing Corporation	9,604	8,780
Export Development Canada	6,906	6,377
Business Development Bank of Canada	3,643	2,189
Canada Development Investment Corporation	3,187	41
Farm Credit Canada	2,336	2,276
Canada Post Corporation	1,853	1,584
Canada Deposit Insurance Corporation	856	970
Other	2,525	2,950
Total investments	30,910	25,167
Loans and advances —		
Canada Mortgage and Housing Corporation	72,262	61,863
Farm Credit Canada	15,931	11,450
Business Development Bank of Canada	12,245	7,284
Other	132	139
	100,570	80,736
Less:		
Amount expected to be repaid from future appropriations	1,964	1,861
Unamortized discounts and premiums	-7	-7
Total loans and advances	98,613	78,882
Total loans, investments and advances to enterprise Crown corporations and other government business enterprises	129,523	104,049

Certain comparative figures have been reclassified to conform to the current year's presentation.
Details (unaudited) can be found in Section 9 of this volume.

The following table presents the summary financial position and results of enterprise Crown corporations and other government business enterprises:

	(in millions of dollars)	
	2010	2009
Assets—		
Financial assets	427,410	401,384
Non-financial assets	9,289	8,764
Total assets	436,699	410,148
Liabilities	405,440	385,097
Equity of Canada as reported	31,259	25,051
Elimination adjustments	-349	116
Equity of Canada	30,910	25,167
Revenues	36,913	33,339
Expenses	33,672	28,709
Profit as reported	3,241	4,630
Adjustments and others	-935	143
Profit	2,306	4,773
Other changes in equity —		
Other comprehensive income or loss (-)	211	-318
Dividends (1)	-1,391	-2,095
Capital (2)	4,617	600
	5,743	2,960
Equity of Canada at beginning of year	25,167	22,207
Equity of Canada at end of year	30,910	25,167
Contractual obligations	20,150	20,295
Contingent liabilities	3,531	4,260

Details (unaudited) can be found in Section 9 of this volume.

(1) Amounts reported as dividends include $1,252 million ($1,757 million in 2009) from the Bank of Canada.

(2) Amounts reported as capital include $3,169 million for Canada Development Investment Corporation related to financial assistance to the automotive sector.

iii. Non Public Property

Non Public Property (NPP), as defined under the *National Defence Act*, consists of money and property contributed to or by Canadian Forces members and is administered for their benefit and welfare by the Canadian Forces Personnel and Family Support Services (CFPFSS). The CFPFSS is responsible for delivering selected morale and welfare programs, services and activities through three operational divisions, Canadian Forces Exchange System (CANEX), Personnel Support Programs and Service Income Security Insurance Plan (SISIP) Financial Services. Under the *National Defence Act*, NPP is explicitly excluded from the *Financial Administration Act*. The Government provides some services related to NPP activities such as accommodation and security for which no charge is made. The cost of providing these services is included in the financial statements of the Government of Canada. In 2010, CFPFSS administered estimated revenues and expenses of $405 million ($294 million in 2009) and $362 million ($342 million in 2009) respectively and net equity of $571 million at March 31, 2010 ($519 million at March 31, 2009). These amounts are excluded from the financial statements of the Government of Canada.

12. Other Loans, Investments and Advances

The following table presents a summary of the balances of other loans, investments and advances by category:

	(in millions of dollars)	
	2010	2009
National governments, including developing countries and international organizations —		
National governments including developing countries	502	737
International organizations	15,835	15,381
Total	16,337	16,118
Other loans, investments and advances —		
Provincial and territorial governments	2,937	3,527
Other loans, investments and advances	25,434	20,509
Total	28,371	24,036
Total	44,708	40,154
Less: allowance for valuation	21,550	19,110
Total other loans, investments and advances	23,158	21,044

Details (unaudited) can be found in Section 9 of this volume.

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade which are administered by Export Development Canada. Certain loans are non-interest bearing and others bear interest at rates varying from 0.5 percent to 9.3 percent. These loans are repayable over 1 to 55 years, with final instalments due in 2045.

Loans, investments and advances to international organizations include Canada's subscriptions to the share capital of international banks as well as loans and advances to associations and other international organizations. These subscriptions are composed of both paid-in and callable capital. They do not provide a return on investment but are repayable on termination of the organization or withdrawal from it. Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms.

Loans to provinces and territories include loans made under relief acts and other legislation. Certain loans are non-interest bearing and others bear interest at rates varying from 4.5 percent to 9.5 percent. These loans are repayable over 1 to 50 years, with final instalments due in 2015.

Other loans, investments and advances include portfolio investments and loans and advances under various programs to individuals and organizations which include loans under the Canada Student Loans Program of $12,804 million ($11,865 million in 2009), and loans for development of export trade which are administered by Export Development Canada of $6,279 million ($2,352 million in 2009). Loans under the Canada Student Loans Program are provided interest-free to full-time students and afterward bear interest at either a variable prime rate plus 2.5 percent or a fixed prime rate plus 5.0 percent. The repayment period is generally 10 years. Certain loans for development of export trade are non-interest bearing and others bear interest at rates varying from 1.6 percent to 12.8 percent. These loans are repayable over 1 to 20 years, with final instalments due in 2023.

13. Tangible Capital Assets

Tangible capital assets consist of acquired, built, developed or improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services, including military activities. Tangible capital assets include land, buildings, works and infrastructure, machinery and equipment including computer hardware and software, vehicles including ships, aircraft and others, leasehold improvements and assets under construction. Software and leasehold improvements include only the cost of assets acquired since April 1, 2001. Tangible capital assets also include assets under capital lease, details of which are provided in Section 10 of this volume.

Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*. In addition, the cost of works of art and museum collections consisting mainly of paintings, sculptures, drawings, prints, photographs, monuments, films and videos are expensed in the fiscal year in which they are acquired.

Except for land, the cost of tangible capital assets used in Government operations is generally amortized on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	20 to 40 years
Works and infrastructure (1)	5 to 40 years
Machinery and equipment	3 to 30 years
Vehicles	3 to 40 years
Leasehold improvements	lesser of useful life of improvement or lease term
Assets under construction	once in service, in accordance with asset type
Assets under capital leases	in accordance with asset type or over the lease term

(1) Except for the Confederation Bridge, which is amortized over 100 years.

The following table presents a summary of the transactions and balances for the main categories of tangible capital assets:

(in millions of dollars)

	Cost					Accumulated amortization						
	Opening balance	Acquisitions	Disposals	Adjustments[1]	Closing balance	Opening balance	Amortization expense	Disposals	Adjustments	Closing balance	Net book value 2010	Net book value 2009
Land	1,410	54	-6	1	1,459						1,459	1,410
Buildings	20,068	166	-36	970	21,168	10,684	717	-28		11,373	9,795	9,384
Works and infrastructure	11,440	79	-58	397	11,858	6,697	344	-43	8	7,006	4,852	4,743
Machinery and equipment	24,765	988	-426	5,183	30,510	15,548	1,752	-284	3,019	20,035	10,475	9,217
Vehicles	35,128	331	-558	-3,084	31,817	21,049	1,170	-263	-2,760	19,196	12,621	14,079
Leasehold improvements	1,935	72	-58	180	2,129	1,150	136	-53	-2	1,231	898	785
Assets under construction	10,275	5,243	-183	-3,402	11,933						11,933	10,275
Assets under capital leases	5,030	203	-93	-314	4,826	1,597	299	-61	-30	1,805	3,021	3,433
Total	110,051	7,136	-1,418	-69	115,700	56,725	4,418	-732	235	60,646	55,054	53,326

Details (unaudited) can be found in Section 10 of this volume.

[1] Adjustments include assets under construction of $2,574 million that were transferred to other categories upon completion of the assets.

14. Financial Instruments

The Government uses various financial instruments to manage financial risks associated with its financial assets and liabilities. The Government does not hold or use derivative instruments for trading or speculative purposes.

i. Derivative financial instruments

(a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in Canadian dollars, US dollars and Euros. The Government has entered into cross currency swap agreements to facilitate management of its debt structure. Using cross currency swap agreements, Canadian dollar and other foreign currency debt has been converted into US dollars or other foreign currencies with either fixed interest rates or variable interest rates. As a normal practice, the Government's swap positions are held to maturity.

The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges. Unrealized gains or losses due to fluctuations in the foreign exchange value of the swaps are presented in the cross currency swap revaluation account and are recognized as part of net foreign exchange revenues in the Statement of Operations and Accumulated Deficit.

Cross currency swaps with contractual or notional principal amounts outstanding at March 31, stated in Canadian dollars, are as follows:

	(in millions of dollars)	
Maturing year	2010	2009
2010		3,893
2011	2,531	3,000
2012	2,195	2,630
2013	4,301	3,595
2014	3,530	4,286
2015	3,267	4,022
2016 and subsequent	21,735	18,588
	37,559	40,014

(b) Credit risk related to swap agreements

The Government manages its exposure to credit risk by dealing principally with financial institutions having credit ratings from at least two recognized rating agencies, one of which must be Standard & Poor's or Moody's. At the time of inception of the agreement, the credit rating of the institution must be at least A-.

Credit risk is also managed through collateral provisions in swap agreements. Counterparties must pledge collateral to the Government, which, in the event of default, could be liquidated to mitigate credit losses.

The Government does not have a significant concentration of credit risk with any individual institution and does not anticipate any counterparty credit loss with respect to its swap agreements.

The following table presents the notional amounts of the swap agreements by ratings assigned by Standard & Poor's at year end:

	(in millions of dollars)	
Standard & Poor's	2010	2009
AA	4,692	5,155
AA-	13,746	14,397
A+	6,750	6,280
A	3,422	4,948
A -	2,130	3,385
BBB+	5,447	
BBB	1,372	5,849
	37,559	40,014

ii. Managing foreign currency risk and sensitivity analysis to foreign currency exposures

Interest rate and foreign currency risks are managed using a strategy of matching the duration and the currency of the Exchange Fund Account (EFA) assets and the related foreign currency borrowings of the Government. As at March 31, 2010, the impact of price changes affecting the EFA assets and the liabilities funding these assets naturally offset each other, resulting in no significant impacts to the Government's net debt. Assets related to the International Monetary Fund are only partially matched by related foreign currency borrowings, as they are denominated in Special Drawing Rights.

The majority of the Government foreign currency assets and liabilities are held in three currency portfolios: the US dollar, the Euro and the Japanese yen. At March 31, 2010, a one percent appreciation in the Canadian dollar as compared to the US dollar, the Euro and the Japanese yen would result in a foreign exchange gain of $23 million due to the exposure of the US dollar portfolio and a foreign exchange loss of $2 million due to the exposure of the Euro portfolio. There is no significant exposure related to the Japanese yen portfolio as at March 31, 2010. Net foreign exchange losses included in net foreign exchange revenues, other program revenues and other program expenses on the Statement of Operations and Accumulated Deficit amount to $1,039 million (net foreign exchange gains of $798 million in 2009).

iii. Fair value information

(a) Liabilities and financial assets

The following table presents the carrying value and the fair value of liabilities and financial assets. Fair values are Government estimates and are generally calculated using market conditions at a specific point in time where a market exists. Fair values of liabilities and financial assets with a short term to maturity or of a non-negotiable nature are assumed to approximate their carrying values. Fair values may not reflect future market conditions nor the actual values obtainable should the instrument be exchanged on the market. The calculations are subjective in nature and involve inherent uncertainties due to the unpredictability of future events.

	(in millions of dollars)					
	2010			2009		
	Carrying value	Fair value	Fair value over under (-) carrying value	Carrying value	Fair value	Fair value over under (-) carrying value
Liabilities —						
Accounts payable and accrued liabilities	120,525	120,525		113,999	113,999	
Unmatured debt	559,126	597,531	38,405	514,020	561,964	47,944
Public sector pensions	142,843	154,630	11,787	139,909	155,877	15,968
Other employee and veteran future benefits	54,227	71,391	17,164	50,311	79,947	29,636
Other liabilities	6,587	6,587		5,923	5,923	
Financial Assets —						
Cash and accounts receivable	101,205	101,205		122,147	122,147	
Foreign exchange accounts	46,950	48,354	1,404	51,709	53,457	1,748
Loans, investments and advances excluding investments in enterprise Crown corporations	121,771	124,603	2,832	99,926	104,925	4,999

Fair values are determined using the following methods and assumptions:

The carrying values of other accounts payable and accrued liabilities, taxes payable, interest and matured debt and cash and accounts receivable are assumed to approximate their fair values due to their short term to maturity and allowances to reduce carrying values.

For marketable bonds denominated in Canadian dollars and foreign currencies, treasury bills issued in Canadian dollars and Euro medium-term notes, fair values are established using market quotes or the discounted cash flow calculated using year-end market interest and exchange rates. The fair value of bonds issued to the Canada Pension Plan are established using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions on the bonds. Fair values of other instruments comprising the unmatured debt are deemed to approximate their carrying values due to their short term to maturity or their non-negotiable nature.

The fair values of public sector pensions and other employee and veteran future benefit liabilities are assumed to approximate the actuarial value of the accrued benefit obligations net of the fair values of the pension plan assets, which are established at market value for investments and at discounted net present value for other plan assets.

Fair values of the securities and gold reserves held in the foreign exchange accounts are established using market quotes or other available market information. Financial claims and obligations with the International Monetary Fund denominated in foreign currencies are reported at Canadian dollar equivalents at March 31, which are assumed to approximate fair value.

Fair values of loans to enterprise Crown corporations are established using market quotes or the discounted cash flow calculated using year-end market interest rates. For portfolio or temporary investments, fair values are established using stock market quotes or other available information.

Fair values of other loans, investments and advances are assumed to approximate carrying values since allowances are recorded when necessary to reduce their carrying value to amounts that approximate their estimated realizable value.

(b) Derivative financial instruments

The following table presents the fair value of derivative financial instruments with contractual or notional principal amounts outstanding at March 31:

	(in millions of dollars)			
	2010		2009	
	Notional value	Fair value	Notional value	Fair value
Cross currency swaps.........	37,559	3,892	40,014	-2,225

Fair values of the swap agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap agreements using year-end market interest and exchange rates. A positive (negative) fair value indicates that the Government would receive (make) a payment if the agreements were terminated on March 31.

15. Contractual Obligations

The nature of government activity results in some large multi-year contracts and agreements including thousands of international treaties, protocols and agreements of various size and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. Major contractual obligations that will generate expenditures in future years and that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	2010	2009
Transfer payment agreements	60,514	56,533
Acquisition of property and equipment, and goods and services..................	27,238	21,537
Operating leases.........................	3,015	3,010
International organizations	3,089	3,653
	93,856	84,733

Details (unaudited) can be found in Section 11 of this volume.

Estimated future expenditures related to these contractual obligations are as follows:

Year	(in millions of dollars)
2011	27,009
2012	14,232
2013	11,956
2014	9,173
2015	4,568
2016 and subsequent	26,918
	93,856

Details (unaudited) can be found in Section 11 of this volume.

i. Transfer payment agreements

Obligations related to transfer payment agreements include an amount of $23,935 million ($25,678 million in 2009) related to various contractual obligations of the Government through the Minister's account held at Canada Mortgage and Housing Corporation (CMHC) for social housing programs. Estimated future expenditures related to these obligations are approximately $1,700 million per year. The amounts reported for CMHC under obligations for transfer payment agreements for 2010 reflect the total estimated remaining contractual obligations that extend for periods up to 30 years.

ii. Operating leases

The Government rents premises and equipment under operating leases which expire at various dates. Future minimum lease payments as at March 31, 2010, total $3,015 million ($3,010 million in 2009).

16. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into contingent liabilities related to: guarantees by the Government, international organizations, environmental liabilities, claims and pending and threatened litigation, and insurance programs of agent entreprise Crown corporations.

i. Guarantees by the Government

At March 31, 2010, guarantees by the Government amount to $221,979 million ($210,797 million in 2009) for which an allowance of $535 million ($514 million in 2009) has been recorded. These guarantees include the guarantees of the borrowings of agent enterprise Crown corporations. The payment of all money borrowed by agent enterprise Crown corporations and interest thereon constitute obligations of the Government and are recorded net of borrowings expected to be repaid directly by these corporations. At March 31, 2010, guarantees on the borrowings of agent enterprise Crown corporations amount to $211,454 million ($200,417 million in 2009) for which no allowance (nil in 2009) has been recorded. Guarantees by the Government of loans made by agent enterprise Crown corporations, borrowings and loans made by non-agent enterprise Crown corporations and other government business enterprises, loans of certain individuals and businesses obtained from the private sector and insurance programs managed by the Government, amount to $10,525 million ($10,380 million in 2009).

ii. International organizations

The Government has callable share capital in certain international organizations that could require payments to those agencies. As at March 31, 2010, callable share capital amounts to $17,177 million ($15,901 million in 2009).

iii. Environmental liabilities

(a) Remediation of contaminated sites

The Government has identified approximately 17,000 sites, for which environmental liabilities may exist for assessment, remediation and monitoring. Of these, the Government has identified approximately 2,400 sites (2,000 sites in 2009 - reclassified), where action is possible and for which a liability of $3,493 million ($3,220 million in 2009 - reclassified) has been recorded. In addition, the Government has estimated further clean-up costs for which it may be potentially liable of $1,512 million ($1,538 million in 2009 - reclassified). These further clean up costs have not been accrued as the Government's obligation to incur these costs is not determinable.

(b) Future asset restoration

The Government has identified approximately 760 unexploded explosive ordnance (UXO) affected sites for which environmental liabilities for clearance of these sites may exist. Of these, the Government has identified approximately 30 UXO affected sites (10 UXO affected sites in 2009), where clearance action is likely and for which a liability of $16 million ($10 million in 2009) has been recorded as part of total future asset restoration liability of $3,109 million ($3,122 million in 2009). In addition, the Government has estimated further clearance costs related to UXO affected sites ranging from $180 million to $524 million. These future clearance costs have not been accrued as the Government's obligation to incur these costs is not determinable.

The Government's ongoing efforts to assess contaminated sites and UXO affected sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

iv. Claims and pending and threatened litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Government has recorded an allowance for claims and litigation where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigation for which the outcome is not determinable and a reasonable estimate can be made amount to approximately $4,300 million ($5,700 million in 2009). Certain large and significant claims are described below:

Comprehensive land claims: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 76 (76 in 2009) comprehensive land claims under negotiation, accepted for negotiation or under review. A liability of $3,800 million ($3,500 million in 2009) is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stage of negotiations and cannot yet be quantified.

Assessed taxes under objection or appeal: As at March 31, 2010, an amount of $17,102 million ($13,778 million in 2009) of federal and provincial taxes assessed was under objection at Canada Revenue Agency and an amount of $3,509 million ($2,429 million in 2009) was under appeal at either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

Other: In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the Government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the Ontario Superior Court of Justice. On November 20, 2007, the Court rendered its decision and dismissed all the claims of the plaintiffs. The plaintiffs appealed this decision to the Ontario Court of Appeal. The outcome of these appeals is not determinable at this time.

v. Insurance programs of agent entreprise Crown corporations

Three agent enterprise Crown corporations operate insurance programs for the Government. In the event that the corporations have insufficient funds, the Government will have to provide financing. The Canada Deposit Insurance Corporation operates the Deposit Insurance Fund which provides basic protection coverage to depositors for up to $100,000 deposited with each member bank, trust or loan company; Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions and the Mortgage-Backed Securities Guarantee Fund which guarantees the timely payment of the principal and interest for investors of securities based on the *National Housing Act* through the Mortgage-Backed Securities program and the bonds issued by the Canada Housing Trust through the Canada Mortgage Bond program; and Export Development Canada provides export and foreign investment insurance to help with export trade. At March 31, 2010, total insurance in force amounts to $1,396,212 million ($1,245,234 million in 2009). The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Further details (unaudited) on contingent liabilities can be found in Section 11 of this volume.

17. Segmented information

The Government segmented information is based on the ministry structure reported in the 2009-2010 Estimates, which groups the activities of departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 11. The five main ministries are reported separately and the others are grouped together with the provision for valuation and other items. The presentation by segment is based on the same accounting policies as those described in the Summary of significant accounting policies in Note 1. The following tables present the Statement of Operations by Ministry and Crown corporation and other entities before the elimination of internal transactions for the year ended March 31:

(in millions of dollars)

	2010								
	Canada Revenue Agency	Finance	Human Resources and Skills Development	National Defence	Public Safety and Emergency Preparedness	Other ministries	Crown corporations and other entities	Adjustments[1]	Total
REVENUES									
TAX REVENUES —									
Income tax revenues	139,601								139,601
Other taxes and duties	19,560				21,013				40,573
TOTAL TAX REVENUES	***159,161***				***21,013***				***180,174***
EMPLOYMENT INSURANCE PREMIUMS			***17,121***					***-360***	***16,761***
OTHER REVENUES —									
Crown corporations							15,262	-7,640	7,622
Other programs	3,542	288	4,058	495	1,882	10,396	225	-8,490	12,396
Net foreign exchange		1,647							1,647
TOTAL OTHER REVENUES	***3,542***	***1,935***	***4,058***	***495***	***1,882***	***10,396***	***15,487***	***-16,130***	***21,665***
TOTAL REVENUES	***162,703***	***1,935***	***21,179***	***495***	***22,895***	***10,396***	***15,487***	***-16,490***	***218,600***
EXPENSES									
TRANSFER PAYMENTS —									
Old age security benefits, guaranteed income supplement and spouse's allowance			34,653						34,653
Major transfer payments to other levels of government		54,943			20	1,903		124	56,990
Employment insurance benefits			21,586						21,586
Children's benefits	9,753		2,587						12,340
Other transfer payments	427	680	5,468	236	186	33,951	720	-1,776	39,892
TOTAL TRANSFER PAYMENTS	***10,180***	***55,623***	***64,294***	***236***	***206***	***35,854***	***720***	***-1,652***	***165,461***
OTHER PROGRAM EXPENSES—									
Crown corporations							10,548	-120	10,428
Ministries	7,230	701	8,280	21,108	9,900	36,384		-14,708	68,895
TOTAL OTHER PROGRAM EXPENSES	***7,230***	***701***	***8,280***	***21,108***	***9,900***	***36,384***	***10,548***	***-14,828***	***79,323***
TOTAL PROGRAM EXPENSES	***17,410***	***56,324***	***72,574***	***21,344***	***10,106***	***72,238***	***11,268***	***-16,480***	***244,784***
PUBLIC DEBT CHARGES		***29,196***		***38***		***190***		***-10***	***29,414***
TOTAL EXPENSES	***17,410***	***85,520***	***72,574***	***21,382***	***10,106***	***72,428***	***11,268***	***-16,490***	***274,198***

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

(1) Represents consolidation adjustments to eliminate internal transactions.

(in millions of dollars)

	2009								
	Canada Revenue Agency	Finance	Human Resources and Skills Development	National Defence	Public Safety and Emergency Preparedness	Other ministries	Crown corpo- rations and other entities	Adjustments[1]	Total
REVENUES									
TAX REVENUES —									
Income tax revenues	151,798								151,798
Other taxes and duties	17,184				22,622				39,806
TOTAL TAX REVENUES	***168,982***				***22,622***				***191,604***
EMPLOYMENT INSURANCE PREMIUMS			***17,217***					***-330***	***16,887***
OTHER REVENUES —									
Crown corporations							13,715	-5,955	7,760
Other programs	3,961	1,030	3,568	515	1,780	11,452	645	-7,846	15,105
Net foreign exchange		1,736							1,736
TOTAL OTHER REVENUES	***3,961***	***2,766***	***3,568***	***515***	***1,780***	***11,452***	***14,360***	***-13,801***	***24,601***
TOTAL REVENUES	***172,943***	***2,766***	***20,785***	***515***	***24,402***	***11,452***	***14,360***	***-14,131***	***233,092***
EXPENSES									
TRANSFER PAYMENTS —									
Old age security benefits, guaranteed income supplement and spouse's allowance			33,377						33,377
Major transfer payments to other levels of government		45,615			9	1,015		-124	46,515
Employment insurance benefits			16,308						16,308
Children's benefits	9,368		2,533						11,901
Other transfer payments	395	870	2,678	198	215	25,440	850	-454	30,192
TOTAL TRANSFER PAYMENTS	***9,763***	***46,485***	***54,896***	***198***	***224***	***26,455***	***850***	***-578***	***138,293***
OTHER PROGRAM EXPENSES—									
Crown corporations							8,205	-139	8,066
Ministries	7,231	499	7,563	18,763	9,072	30,824		-12,454	61,498
TOTAL OTHER PROGRAM EXPENSES	***7,231***	***499***	***7,563***	***18,763***	***9,072***	***30,824***	***8,205***	***-12,593***	***69,564***
TOTAL PROGRAM EXPENSES	***16,994***	***46,984***	***62,459***	***18,961***	***9,296***	***57,279***	***9,055***	***-13,171***	***207,857***
PUBLIC DEBT CHARGES		***31,717***		***41***		***192***		***-960***	***30,990***
TOTAL EXPENSES	***16,994***	***78,701***	***62,459***	***19,002***	***9,296***	***57,471***	***9,055***	***-14,131***	***238,847***

Details (unaudited) providing total expenses by segment and type can be found in Section 3 of this volume.

[1] Represents consolidation adjustments to eliminate internal transactions.

OBSERVATIONS OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA
FOR THE YEAR ENDED 31 MARCH 2010

For the twelfth consecutive year, the government has received an unqualified audit opinion on the summary financial statements. I congratulate the government on this accomplishment, especially because an unqualified audit opinion is achieved by few countries. Each year, this involves a great deal of work by public servants throughout government, both in individual departments and in central agencies. I thank those involved for their assistance and for the cooperation extended to my Office during our audit.

The purpose of these Observations is to comment on matters that have come to my attention during the audit of the current year's summary financial statements and that will require continuing attention in future years.

ACCOUNTING FOR TRANSFERS

Each year, the government announces various transfer programs—usually as part of the Budget process. For example, in the 2009 Budget, major announcements were made to support the economy and promote infrastructure projects, pursuant to the Economic Action Plan. The 2010 Budget confirmed year 2 funding of that plan. We analyzed all significant agreements that were entered into during the year ending 31 March 2010 to ensure that expenses were recognized in the proper period and that the transactions that were entered into had the appropriate authority.

According to Public Sector Accounting Standards, government transfers are recognized in a government's financial statements, as expenses for the period in which the events giving rise to the transfer occur. For this to happen, the following conditions need to be met:

- The transfer is authorized.
- The recipient has met eligibility criteria.
- A reasonable estimate of the amount can be made.

In assessing the accounting for these transactions, I concluded that the government's accounting treatment was acceptable because

- the government entered into agreements with appropriate authorities, and it had authorization from Parliament to make the payments;
- eligibility criteria had been met;
- agreements were accounted for in the appropriate year; and
- the amounts of the transfers could be reliably determined.

Further, I am satisfied that the summary financial statements adequately disclose the details of major transfer agreements. As well, I am pleased to note that Volume I, Section 1 of the Public Accounts of Canada provides information about the Economic Action Plan.

MANAGEMENT ESTIMATES—TAX REVENUE

Tax revenue comprises two main elements. The first represents known and identifiable tax assessments or reassessments. The second, management's estimate of accrued tax revenues, is one of the largest and most significant estimates in the government's financial statements.

Estimates of accrued tax revenues are based, among other things, on management assumptions and data inputs, such as cash received from, or refunded to taxpayers. Small fluctuations in the key data inputs, or in assumptions about how those inputs should be interpreted, can create significant swings in reported tax revenues for the year.

The government needs to consistently and regularly validate and improve all aspects of its approved tax estimation methodologies to ensure that estimated tax revenue continues to be accurate. A robust testing regime includes verifying the completeness and accuracy of collected data, as well as verifying the accuracy and relevance of any subsidiary calculations that are based on that data. Such a regime also includes an annual review of important assumptions that are embedded in the government's estimation methodologies, so that the government's approved methodologies for determining these estimates can be systematically refined. I have raised concerns relating to the estimation of tax revenues in my Observations in the past. While I acknowledge that current year tax revenues are fairly stated and that some aspects of a testing regime have already been in place for some time, the testing of prior year estimates continued to show significant differences from reported amounts. I encourage the government to expand the scope of its testing and validation procedures.

TRANSITIONING TO NEW ACCOUNTING AND AUDITING STANDARDS

In last year's Observations, I brought it to your attention that the move to International Financial Reporting Standards (IFRS) was an important impending change to Canadian financial reporting. At that time, it was anticipated that this change would affect most federal Crown corporations.

As a result of subsequent changes to Public Sector Accounting Standards, the number of organizations that may be affected by IFRS has been reduced. Instead, many government organizations will now apply Public Sector Accounting Standards. Regardless of the standards they adopt, these organizations will need to do significant advance preparation and planning. In addition, it will be necessary to harmonize the accounting policies of certain Crown corporations to meaningfully report the consolidated results of those corporations in the government's financial statements. I am pleased to observe the active role taken by the government in facilitating these discussions. My Office will continue to follow the progress made by the government and the Crown corporations in preparation for the conversion to these new accounting standards.

Canadian auditing standards are also going through a significant transition. The Canadian Auditing and Assurance Standards Board (AASB) has adopted International Standards on Auditing as the Canadian auditing standards for periods ending on or after 14 December 2010. These standards will apply to all audits of general purpose financial statements. Most of them align relatively well with existing Canadian practice; however, in some cases there will be noticeable changes to the way my Office conducts and reports on audits. We will work closely with the government to discuss the impact of these new standards and to identify areas where changes to current audit practices will be required.

STATUS OF ITEMS REPORTED IN PREVIOUS YEARS

Observation	Current status
Canada Border Services Agency—Tax revenue system deficiencies	For several years, I have stated that the Canada Border Services Agency needs to improve its tax revenue accounting systems and practices. Its accrual of tax revenues is assessment-based, and it gathers data primarily from various tax program systems, which were not designed to function as accounting systems. Each year, significant adjustments to accounting data are necessary to report revenues and receivables on an accrual basis. This manipulation of data involves complex and cumbersome manual processing and reconciliation. Despite these efforts, differences still exist between the amounts receivable in the general ledger and the various reports taken from the tax program systems to support the reported amounts. Management of the Canada Border Services Agency has identified underlying causes of some of their unreconciled differences. Future action is required to further reduce unexplained differences that continue to remain at year-end.
National Defence—Inventory, repairable spare parts, and capital asset records	For many years, I have observed the difficulties National Defence has experienced in the proper recording and valuation of its inventory and its repairable spare parts. I acknowledge the importance the Department has placed on continuously improving its accounting systems and practices, including recognizing the capitalized value of previously expensed parts and the supporting policy development. However, issues remain, such as pricing, verification of quantities, and the timely recording of transactions. Continued action by National Defence is needed to ensure that the value of inventory and repairable spare parts is properly recorded. National Defence has also had issues related to the proper recording and amortization of the costs of its capital assets. Sub-ledgers that are used to capture detailed data are complex and not always reconciled to the general ledger in a timely and accurate manner. Capitalizing of work-in-progress and writing off disposed assets continues to be a challenge for the Department. It is important that National Defence continue its work in this area to ensure that the information recorded in the general ledger is accurate, complete, and timely.
Accrual appropriations by departments and agencies	I reported in previous years that the government had outlined a plan to implement accrual-based budgeting in phases, and would complete an evaluation of the costs and benefits of accrual appropriations in the 2012–13 fiscal year, after accrual-based budgeting had been implemented. Accrual-based appropriations would provide Parliament with a basis for control and approval over voted spending that is the same as the overall government financial plan and the summary financial statements. As I noted and I continue to observe, the government has yet to commit to an implementation date for adopting accrual appropriations or to explain why it would not be prudent to do so.

Observation	Current status
Policy on Recording Payables at Year-End	In previous years, during discussions between my Office and the Treasury Board of Canada Secretariat, it became apparent that we held different interpretations of section 37.1 of the *Financial Administration Act*, and the Treasury Board's Policy on Payables at Year-End. The difference, which relates to whether "debts" refers to all items are recognized as liabilities, results in a lack of clarity about when the items that should be charged to an appropriation. I remain concerned that departments may neither charge amounts against their appropriation nor record a liability because the transactions/items do not meet this legally binding definition, despite the fact that these are, in substance, liabilities. As part of its Policy Suite Renewal Initiative, we understand that the payables at year-end policy is still in the process of being revisited by the Treasury Board of Canada Secretariat. Given the importance of ensuring that expenditures are properly and consistently charged to appropriations, I encourage the Office of the Comptroller General to resolve this matter.
Audit opinion in accordance with Canadian generally accepted accounting principles	Under the auditing standards of The Canadian Institute of Chartered Accountants, I am required to report on fair presentation in accordance with Canadian generally accepted accounting principles for the public sector. However, recognizing the importance of following our legislative mandate, which requires me to give an opinion on whether the government's financial statements "… present fairly information in accordance with stated accounting policies of the federal government …," my opinion refers to both bases of accounting. The government's financial statements indicate that its stated accounting policies are based on Canadian generally accepted accounting principles for the public sector, and that using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles. It would be preferable if the government would indicate its commitment to conforming to Canadian generally accepted accounting principles.

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SECTION 3

2009-2010

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenses and Accumulated Deficit

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REVENUES, EXPENSES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenses and accumulated deficit of the Government as summarized in Table 3.1.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 3.1

REVENUES, EXPENSES AND ACCUMULATED DEFICIT

(in millions of dollars)

	2009-2010	2008-2009
Revenues—		
Tax revenues, Table 3.2	180,174	191,604
Employment insurance premiums	16,761	16,887
Other revenues, Table 3.4	21,665	24,601
Total revenues	**218,600**	**233,092**
Expenses—		
Transfer payments	165,461	138,293
Other program expenses	79,323	69,564
Total program expenses	***244,784***	***207,857***
Public debt charges, Table 3.8	29,414	30,990
Total expenses, Table 3.6	**274,198**	**238,847**
Annual deficit	**55,598**	**5,755**
Accumulated deficit at beginning of year	**463,710**	**457,637**
Other comprehensive income or (loss)	**211**	**(318)**
Accumulated deficit at end of year	**519,097**	**463,710**

REVENUES

Revenues consist of all tax and other amounts which enter into the calculation of the annual surplus or deficit of the Government.

Accounting for Revenues

The Government reports all revenues on an accrual basis.

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. Tax revenues are recognized in the period in which the event that generates the revenue occurs. Taxes are collected pursuant to their respective legislation which may be amended from time to time.

For income taxes, revenue is recognized when the taxpayer has earned the income producing the tax. Revenue is determined net of tax deductions and credits allowed under the *Income Tax Act*.

Revenues for the fiscal year ended March 31 are based on amounts assessed/reassessed at the time of preparation of the financial statements and estimates of income tax earned in the fiscal period but not yet assessed/reassessed. These estimates are based on amounts received at the time of preparation of the financial statements that relate to the fiscal year ended March 31 that have not been assessed or that are awaiting reassessment. Actual results may differ significantly from these estimates. Differences between estimates and actuals are recorded in the fiscal year in which the actual assessment/reassessment is completed. Revenues do not include estimates for amounts of unreported taxes or the impact of future reassessments that cannot be reasonably determined.

Goods and services tax, and excise and customs revenues are recorded based on the tax and duties assessed and estimated at the time of preparation of the financial statements that relate to the fiscal year ended March 31. For domestic goods and services tax, revenue is recognized at the time of the sale of goods or the provision of services. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act*. For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Act*. For customs duties and goods and services tax on imports, revenue is recognized when goods are authorized by the Canada Border Services Agency to enter Canada.

Employment insurance premiums are recognized in revenue in the same period as the insurable earnings are earned. Other revenues are recognized in the period to which they relate.

Tax Revenues

Tax revenues include personal, corporate and non-resident income tax revenues, and other taxes and duties as summarized in Table 3.2.

TABLE 3.2

TAX REVENUES

(in millions of dollars)

	2009-2010	2008-2009
Tax revenues—		
Income tax revenues—		
Personal	103,947	116,024
Corporate	30,361	29,476
Non-resident	5,293	6,298
	139,601	***151,798***
Other taxes and duties—		
Goods and services tax, Table 3.3	26,947	25,740
Energy taxes—		
Excise tax—Gasoline	4,142	4,096
Excise tax—Aviation gasoline and diesel fuel	1,036	1,065
	5,178	*5,161*
Customs import duties	3,490	4,036
Other excise taxes and duties—		
Excise duties	4,154	4,056
Air travellers security charge	375	386
Softwood lumber products export charge	227	210
Charge on refunds of softwood lumber duty deposits		4
Other miscellaneous excise taxes and duties	202	213
	4,958	*4,869*
	40,573	***39,806***
Total tax revenues (1)	180,174	191,604

(1) Additional details are provided in Table 4a in Section 1 of Volume II of the *Public Accounts of Canada*.

Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*.

Corporate income tax

Corporate income tax is levied on corporate income under the provisions of the *Income Tax Act*.

Non-resident income tax

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax Act*. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Non-resident income tax revenues also include withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

Other taxes and duties

Other taxes and duties are collected under the *Excise Tax Act*, *Customs Tariff* (Act) and other acts and include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

Goods and services tax

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 5 percent on most goods and services consumed in Canada, with only a limited set of exclusions that include certain medical devices, prescription drugs, basic groceries, residential rents and most health and dental care services. A comparative analysis of the GST is presented in Table 3.3.

TABLE 3.3

GOODS AND SERVICES TAX (GST) (1)

(in millions of dollars)

	2009-2010	2008-2009
GST	31,763	30,444
Less: remission order for the GST paid and accrued by ministries on or for goods and services purchased from outside parties	1,147	1,136
Gross GST from outside parties	30,616	29,308
Less: quarterly tax credits	3,669	3,568
Net GST from outside parties	26,947	25,740

(1) Reported in the Statement of Operations and Accumulated Deficit (Section 2 of this volume).

Energy taxes

Energy taxes primarily include the excise tax on gasoline, aviation gas and diesel fuel.

Customs import duties

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff* (Act).

Other excise taxes and duties

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as passenger vehicle air conditioners. The air travelers security charges are collected by air carriers at the time of payment for the air travel by the purchaser of an air transportation service.

The Softwood Lumber Products export charge is assessed on exports of softwood lumber products to the United States after September 30, 2006. The charge on refunds of softwood lumber duty deposits is assessed on amounts refunded to Canadian companies on amounts related to a United States duty order related to the importation of softwood lumber products into the United States between May 22, 2002 and September 30, 2006.

Employment Insurance Premiums

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues. Additional details on employment insurance premiums are provided in Section 4 of this volume.

Other Revenues

Other revenues include Crown corporations, other program and net foreign exchange revenues.

TABLE 3.4

OTHER REVENUES

(in millions of dollars)

	2009-2010	2008-2009
Other revenues—		
Crown corporations—		
Consolidated Crown corporations and other entities	3,070	1,843
Enterprise Crown corporations and other government business enterprises—		
Share of annual profit	2,306	4,773
Interest and other	2,246	1,144
	7,622	*7,760*
Other programs—		
Return on investments, Table 3.5	288	1,913
Sales of goods and services—		
Rights and privileges	3,121	3,819
Lease and use of public property	515	518
Services of a regulatory nature	1,118	1,046
Services of a non-regulatory nature	2,826	2,573
Sales of goods and information products	243	293
Other fees and charges	494	481
	8,317	*8,730*
Miscellaneous—		
Interest and penalties	3,001	2,811
Other	790	1,651
	12,396	*15,105*
Net foreign exchange—		
Exchange Fund Account	1,665	1,732
International Monetary Fund	(156)	5
Other	138	(1)
	1,647	*1,736*
Total other revenues (1)	21,665	24,601

(1) Additional details are provided in Table 4a in Section 1 of Volume II of the *Public Accounts of Canada*.

Crown corporations

Crown corporation revenues include revenues earned from third parties by Consolidated Crown corporations and other entities, interest earned on loans to enterprise Crown corporations and other government business enterprises, and the government's share of the accumulated profits or losses of enterprise Crown corporations and other government business enterprises.

Other programs

Other program revenues include sales of goods and services, return on investments, and miscellaneous revenues. Details are reported by individual ministry in Volume II of the *Public Accounts of Canada*.

Net foreign exchange

Net foreign exchange revenues include the revenues from investments held in the Exchange Fund Account and the International Monetary Fund, as well as the net gains or losses resulting from the translation of these investments to Canadian dollars at March 31. Net foreign exchange revenues also include the net gains or losses resulting from foreign debt and currency swap revaluations.

Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses for loans, investments and advances other than those in enterprises Crown corporations and government business enterprises. A comparative analysis of return on investments is presented in Table 3.5.

TABLE 3.5

RETURN ON INVESTMENTS (1)

(in millions of dollars)

	2009-2010	2008-2009
Consolidated accounts—		
Atomic Energy of Canada Limited	(2)	(2)
Cash and accounts receivable—		
Interest on bank deposits	83	347
Loans, investments and advances—		
Portfolio investments	2	3
National governments including developing countries	2	2
International organizations	4	11
Provincial and territorial governments	(2)	(2)
Other loans, investments and advances	1,064	655
	1,072	671
Other accounts—		
Esso Ltd—Norman Wells Project profits	74	125
Other	2	3
	76	128
Total ministerial return on investments	1,231	1,146
Net (loss) gain on exchange	(961)	779
Accrual of other revenues	19	23
Total return on investments	289	1,948
Elimination of return on investments internal to the Government	(1)	(35)
Total external return on investments	288	1,913

(1) Additional details are provided in Table 4a in Section 1 of Volume II, and in Section 10 of Volume III of the *Public Accounts of Canada*.
(2) Less than $500,000.

EXPENSES

Expenses consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

Accounting for Expenses

The Government reports all expenses on an accrual basis.

Expenses for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement, or, in the case of transactions which do not form part of an existing program, when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Public debt charges are recorded when incurred and include interest, servicing costs and cost of issuing new borrowing and amortization of premiums and discounts on market debt.

Expenses include provisions to reflect changes in the value of assets or liabilities, including provisions for bad debts, for loans, investments and advances, and for inventory obsolescence. Expenses also include amortization of tangible capital assets and utilization of inventories and prepaid expenses.

On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenses recorded in the accounts. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only.

Table 3.6 presents external expenses by segment and by type.

TABLE 3.6

EXTERNAL EXPENSES BY SEGMENT AND BY TYPE

(in millions of dollars)

	Major transfer payments[1]		Other transfer payments	
	2009-2010	2008-2009	2009-2010	2008-2009
Ministries—				
Agriculture and Agri-Food			1,510	1,820
Atlantic Canada Opportunities Agency			256	172
Canada Revenue Agency	9,753	9,368	427	395
Canadian Heritage			1,181	1,124
Citizenship and Immigration			932	781
Economic Development of Canada for the Regions of Québec			249	198
Environment			116	206
Finance	55,067	45,491	680	869
Fisheries and Oceans			112	95
Foreign Affairs and International Trade			10,006	4,101
Governor General				
Health	30	30	3,144	2,424
Human Resources and Skills Development	58,826	52,218	3,822	2,678
Indian Affairs and Northern Development			6,929	6,121
Industry			3,713	2,316
Justice			374	342
National Defence			236	198
Natural Resources			2,465	3,734
Parliament			1	1
Privy Council			27	88
Public Safety and Emergency Preparedness	20	9	186	215
Public Works and Government Services			1	7
Transport	1,873	985	2,551	1,694
Treasury Board			1	1
Veterans Affairs			42	33
Western Economic Diversification			341	183
Provision for valuation and other items				
Total ministries	125,569	108,101	39,302	29,796
Crown corporations and other entities			590	396
Total expenses[3]	125,569	108,101	39,892	30,192

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[1] Includes transfer payments for the Old age security benefits, guaranteed income supplement and spouse's allowance of $34,653 million ($33,377 million in 2009), to the other levels of government of $56,990 million ($46,515 million in 2009), for the Employment insurance benefits of $21,586 million ($16,308 million in 2009) and for the Children's benefits of $12,340 million ($11,901 million in 2009). Additional information is provided in Table 3.7 of this Section.

[2] Additional information is provided in Table 3.8 of this volume.

[3] Additional information is provided in Table 2a in Section 1 of Volume II of the *Public Accounts of Canada*.

Total transfer payments		Other program expenses		Public debt charges[2]		Total expenses	
2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
1,510	1,820	1,724	1,626			3,234	3,446
256	172	121	118			377	290
10,180	9,763	7,043	7,050			17,223	16,813
1,181	1,124	1,110	700			2,291	1,824
932	781	731	619			1,663	1,400
249	198	94	60			343	258
116	206	1,721	1,589	1	1	1,838	1,796
55,747	46,360	514	488	29,186	30,756	85,447	77,604
112	95	1,773	1,530			1,885	1,625
10,006	4,101	2,262	2,206			12,268	6,307
		19	20			19	20
3,174	2,454	2,985	2,556			6,159	5,010
62,648	54,896	3,420	3,711			66,068	58,607
6,929	6,121	2,222	1,206			9,151	7,327
3,713	2,316	2,466	2,238			6,179	4,554
374	342	1,167	1,042			1,541	1,384
236	198	20,863	18,770	38	41	21,137	19,009
2,465	3,734	1,079	997			3,544	4,731
1	1	580	547			581	548
27	88	332	473			359	561
206	224	9,745	8,908			9,951	9,132
1	7	2,645	2,270	146	151	2,792	2,428
4,424	2,679	1,065	949	43	41	5,532	3,669
1	1	2,500	2,192			2,501	2,193
42	33	982	985			1,024	1,018
341	183	67	54			408	237
		(335)	(1,406)			(335)	(1,406)
164,871	137,897	68,895	61,498	29,414	30,990	263,180	230,385
590	396	10,428	8,066			11,018	8,462
165,461	138,293	79,323	69,564	29,414	30,990	274,198	238,847

Expenses by Segment

The Government segmented information is based on the ministry structure reported in the 2009-2010 Estimates, which groups activities for the departments and agencies for which a Minister is responsible, and the Crown corporations and other entities as described in Note 11 to the financial statements in Section 2 of this volume.

Government's Cost of Operations

Government's Cost of Operations consists of three major types: transfer payments, other program expenses and public debt charges.

Transfer payments

The major transfer payments include payments to persons and payments to provinces and territories.

Payments to persons include payments for income support or income supplement. Assistance is based on age, family status, income, and employment criteria.

Payments to provinces and territories are made under three main programs:

— The fiscal arrangements are unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,

— The Canada health transfer and the Canada social transfer are the major means for providing the federal share of social programs administered by the provinces.

The other transfer payments include various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, expenses of other consolidated entities, and other miscellaneous payments.

Other program expenses

This category covers the costs associated with programs directly delivered by the federal Government such as national defence, food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system. It also includes the expenses of consolidated Crown corporations and other entities incurred with third parties.

Table 3.7 presents a comparative analysis by province and territory of certain transfer payments.

TABLE 3.7

MAJOR TRANSFER PAYMENTS BY PROVINCE AND TERRITORY

(in millions of dollars)

	Old age security benefits [1]	Employment insurance benefits	Fiscal arrangements	Alternative payments for standing programs	Canada health transfer	Canada social transfer	Other major transfers [2]	Children's benefits	Total
Newfoundland and Labrador	696	1,082	2		515	163	581		3,039
	673	*978*	*2*		*363*	*161*	*30*		*2,207*
Prince Edward Island	172	252	341		105	45	36		951
	167	*227*	*322*		*100*	*44*	*11*		*871*
Nova Scotia	1,154	898	1,467		702	301	2		4,524
	1,119	*766*	*1,467*		*674*	*299*	*59*		*4,384*
New Brunswick	963	947	1,691		560	241	67		4,469
	933	*816*	*1,586*		*529*	*235*	*45*		*4,144*
Quebec	9,625	4,792	7,764	(2,703)	5,829	2,519	15		27,841
	9,244	*3,942*	*7,701*	*(2,974)*	*5,512*	*2,444*	*439*		*26,308*
Ontario	12,826	7,609	355		9,975	4,204	106		35,075
	12,339	*5,536*	*8*		*8,914*	*4,090*	*724*		*31,611*
Manitoba	1,271	577	2,066		907	392	59		5,272
	1,243	*450*	*2,066*		*875*	*388*	*66*		*5,088*
Saskatchewan	1,158	479	2		827	335	26		2,827
	1,146	*364*	*2*		*823*	*370*	*296*		*3,001*
Alberta	2,814	2,109	4		1,956	1,189	95		8,167
	2,727	*1,190*	*4*		*1,831*	*1,183*	*191*		*7,126*
British Columbia	4,670	2,728	3		3,361	1,433	504		12,699
	4,484	*1,945*	*3*		*3,048*	*1,348*	*247*		*11,075*
Total provinces	35,349	21,473	13,695	(2,703)	24,737	10,822	1,491		104,864
	34,075	*16,214*	*13,161*	*(2,974)*	*22,669*	*10,562*	*2,108*		*95,815*
Northwest Territories	20	37	864		30	14	163		1,128
	19	*30*	*805*		*33*	*15*	*1*		*903*
Nunavut	9	22	1,022		28	11	461		1,553
	9	*17*	*944*		*28*	*12*	*9*		*1,019*
Yukon Territory	21	34	612		25	11	8		711
	20	*28*	*564*		*29*	*11*	*12*		*664*
International	218	20							238
	204	*19*							*223*
Sub-total	35,617	21,586	16,193	(2,703)	24,820	10,858	2,123		108,494
	34,327	*16,308*	*15,474*	*(2,974)*	*22,759*	*10,600*	*2,130*		*98,624*
Accrual and other adjustments	(10)						5,699		5,689
			(336)			*(32)*	*(1,106)*		*(1,474)*
Sub-total	35,607	21,586	16,193	(2,703)	24,820	10,858	7,822		114,183
	34,327	*16,308*	*15,138*	*(2,974)*	*22,759*	*10,568*	*1,024*		*97,150*
Add: tax credits and repayments	(954)							12,340	11,386
	(950)							*11,901*	*10,951*
Total Expenses	34,653	21,586	16,193	(2,703)	24,820	10,858	7,822	12,340	125,569
	33,377	*16,308*	*15,138*	*(2,974)*	*22,759*	*10,568*	*1,024*	*11,901*	*108,101*

Amounts in roman type are 2009-2010 transfer payments.
Amounts in *italic* type are 2008-2009 transfer payments.

[1] Includes the guaranteed income supplement and the spouse's allowance.

[2] Includes the contributions under the Gas Tax Fund of $1,873 million and payments to provinces for assistance with sales tax harmonization of $5,899 million.

Public debt charges

Public debt charges include the interest on unmatured debt and on pensions, other future benefits and other liabilities, the amortization of premiums and discounts on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.8. The table also discloses the reconciling items between total public debt charges as reported in the ministerial section of the Department of Finance (Section 8) of Volume II and the total expenses of the public debt indicated in Table 3.6. The reconciling items include the expenses of the consolidated specified purpose accounts, accrual adjustments and other items.

TABLE 3.8

PUBLIC DEBT CHARGES [1]

(in millions of dollars)

	2009-2010	2008-2009
Unmatured debt—		
Interest on:		
Marketable bonds	13,697	12,815
Retail debt	272	454
Bonds for Canada Pension Plan	52	67
Canada notes	[2]	11
Euro medium term notes	2	75
	14,023	*13,422*
Amortization of discounts on Canada and Treasury Bills		
Treasury bills	1,205	3,586
Canada bills	24	57
	1,229	*3,643*
Amortization of premiums and discounts on all other debts		
Marketable bonds	1,130	1,160
Consumer price index adjustments on real return bonds	591	295
	1,721	*1,455*
Cross-currency swap revaluation	(438)	(218)
Servicing costs and costs of issuing new borrowings	32	28
Capital lease obligations	228	233
Total public debt charges related to unmatured debt	16,795	18,563
Pension and other future benefits—		
Interest on:		
Public sector pensions—Superannuation accounts	10,151	10,343
Less: provision for pension adjustment	(374)	(910)
	9,777	*9,433*
Other employee and veteran future benefits—		
Health and dental care plans	803	711
Severance benefits	208	212
Worker's compensation	25	29
Veteran benefit plan	1,399	1,615
Royal Canadian Mounted Police benefit plan	131	120
	2,566	*2,687*
Total public debt charges related to pension and other future benefits	12,343	12,120
Other—		
Canada Pension Plan	1	6
Government Annuities Account	17	19
Deposit and trust accounts	45	55
Other specified purpose accounts	197	201
Other liabilities	16	26
Total public debt charges related to other liabilities	276	307
Consolidated specified purpose accounts—		
Interest on:		
Employment Insurance Account		950
Other	9	10
Total public debt charges related to consolidated specified purpose accounts	9	960
Total public debt charges before consolidation adjustments	29,423	31,950
Less: consolidation adjustments	9	960
Total public debt charges [1] [3]	29,414	30,990
Comprised of:		
Total public debt charges under statutory authorities before accrual and other adjustments and consolidation adjustments	27,003	29,940
Accrual and other adjustments	2,420	2,010
Consolidation adjustments	(9)	(960)
Total public debt charges	29,414	30,990

Certain comparative figures have been reclassified to conform to the current year's presentation.

[1] A summary is provided in Table 2a in Section 1 of Volume II of the *Public Accounts of Canada.*

[2] Less than $500,000.

[3] Additional details are provided in Section 7 of Volume III of the *Public Accounts of Canada.*

Expenses by Object

Table 3.9 reconciles the total net expenditures by object initially recorded by departments under the partial accrual method of accounting to the total expenses which is based on the full accrual method of accounting. Reconciliation items represent the effect of consolidation and full accrual accounting.

TABLE 3.9

TOTAL EXPENSES BY OBJECT [1]

(in millions of dollars)

	Total net expenditures	Reconciliation	Total expenses
Transfer payments	130,677	34,784	165,461
Other program expenses—			
Crown corporations [2]		9,873	9,873
Personnel	37,114	3,895	41,009
Transportation and communications	3,261	(163)	3,098
Information	364	(17)	347
Professional and special services	10,349	(2,201)	8,148
Rentals	2,733	(841)	1,892
Repair and maintenance	3,807	(602)	3,205
Utilities, materials and supplies	3,227	(110)	3,117
Acquisition of land, buildings and works	840	(840)	
Acquisition of machinery and equipment	5,018	(5,018)	
Other subsidies and expenses	10,816	(7,017)	3,799
Amortization of tangible capital assets		4,418	4,418
Net loss on disposal of assets		417	417
Total other program expenses	77,529	1,794	79,323
Public debt charges	27,004	2,410	29,414
Total gross expenses	235,210	38,988	274,198
Less: revenues netted against expenditures	10,249	(10,249)	
Total expenses	224,961	49,237	274,198

[1] Additional details are provided in Table 3a in Section 1 of Volume II of the *Public Accounts of Canada*.

[2] This amount differs from the expense shown on the Statement of Operations and Accumulated Deficit due to the amortization of tangible capital assets and the net loss on disposal of assets of consolidated Crown corporations, which have been reclassified within their respective object of expense.

Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total program expenses each year.

Table 3.10 presents a comparative summary of the ministerial statutory expenditures.

TABLE 3.10

EXPENDITURES UNDER STATUTORY AUTHORITIES

(in millions of dollars)

	2009-2010			2008-2009 [1]		
Public debt charges			27,003			29,940
Old age security payments (*Old Age Security Act*)			26,391			25,335
Canada health transfer (Part V.1—*Federal-Provincial Fiscal Arrangements Act*)		24,331			22,759	
Current or Previous Years' Budget Implementation Acts		489				
			24,820			22,759
Fiscal equalization (Part I— *Federal-Provincial Fiscal Arrangements Act*)			14,185			13,462
Canada social transfer (Part V.1—*Federal-Provincial Fiscal Arrangements Act*)		10,858			10,568	
Current or Previous Years' Budget Implementation Acts					32	
			10,858			10,600
Guaranteed income supplement payments (*Old Age Security Act*)			7,737			7,512
Universal child care benefit (*Universal Child Care Benefit Act*)			2,594			2,548
Territorial financing (Part I.1—*Federal-Provincial Fiscal Arrangements Act*)			2,498			2,313
Payments to the Newfoundland Offshore Petroleum Resource Revenues Fund			1,181			2,351
Losses on foreign exchange (Export Development Canada)			870			
Canada Education Savings grant payments to Registered Education Savings Plans (RESPs) trustees on behalf of RESP beneficiaries to encourage Canadians to save for post-secondary education for their children			616			581
Allowance payments (*Old Age Security Act*)			535			531
Canada study grants to qualifying full and part-time students pursuant to the *Canada Student Financial Assistance Act*			534			143
Contribution payments for the AgriInsurance program			503			548
Improving Infrastructure at Universities and Colleges			500			
Newfoundland fiscal equalization offset payments			465			557
Judges' salaries, allowances and annuities, annuities to spouses and children of judges and lump sum payments to spouses of judges who die while in office			427			410
Contribution payments for the AgriStability program			419			340
Net loss on exchange			406			122
Superannuation, supplementary retirement benefits, death benefits and other pensions—[2]						
Public Service—						
Government's contributions to the Public Service pension plan and the Retirement Compensation Arrangements Account	2,671			2,318		
Government's contribution as employer to the Employment Insurance Account	272			247		
Government's contributions to the Canada and the Quebec Pension Plans	661			587		
Government's contributions to the Death Benefit Account	11			10		
		3,615			3,162	
Less: recoveries from revolving funds		134			117	
			3,481			3,045
Canadian Forces—						
Government's contribution to the Canadian Forces pension plan and the Retirement Compensation Arrangements Account		893			875	
Statutory payments under the *Supplementary Retirement Benefits Act*		5			5	
Government's contribution as employer to the Employment Insurance Account		68			66	
Government's contribution to the Canada and the Quebec Pension Plans		168			162	
Government's contribution to the Death Benefit Account		3			3	
			1,137			1,111
Royal Canadian Mounted Police—						
Government's contribution to the Royal Canadian Mounted Police pension plan and the Retirement Compensation Arrangements Account		259			249	
Statutory payments under the *Supplementary Retirement Benefits Act*		13			14	
Government's contribution as employer to the Employment Insurance Account		20			18	
Government's contribution to the Canada and the Quebec Pension Plans		51			44	
			343			325
All other statutory expenditures			9,987			2,577
Total ministerial expenditures under statutory authorities [3]			**137,490**			**127,110**

[1] Certain comparative figures have been reclassified to conform to the current year's presentation.

[2] Details related to other pension accounts, such as the Members of Parliament Retiring Allowances Account, are not included.

[3] Additional information on the ministerial expenditures under statutory authorities are provided in Table 7 in Section 1 of Volume II of the *Public Accounts of Canada*.

SECTION 4

2009-2010

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

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CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

This section provides all related information on consolidated Crown corporations and other entities. Consolidated entities are those which rely on Government funding as their principal source of revenue and are controlled by the Government.

Consolidation involves the combination of the accounts of these corporations and other entities on a line-by-line and uniform basis of accounting and elimination of inter-organizational balances and transactions. Consequently, the corporations and other entities' accounts must be adjusted to the Government's basis of accounting. Most corporations and other entities follow Canadian generally accepted accounting principles (GAAP) for private sector.

Summary Financial Statements of Consolidated Crown Corporations and Other Entities

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations and other entities.

For those corporations and other entities having year ends other than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations and other entities.

Financial assets include cash and cash equivalents, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government, Crown corporations and other entities. Borrowings from third parties represent long-term debts payable of the corporations and other entities. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

Revenues are segregated between third parties and Government, Crown corporations and other entities. Government, Crown corporations and other entities' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties and Government, Crown corporations and other entities. Equity transactions other than current year's net income or loss are segregated between equity adjustments and other, other comprehensive income or loss and equity transactions with the Government. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations and other entities. Other comprehensive income or loss comprises certain unrealized gains and losses on financial instruments that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. Equity transactions with the Government include dividends declared or transfers of profits to the Government, as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations and other entities' accounting policies in line with the Government's basis of accounting.

These tables present financial information on consolidated parent Crown corporations and other entities, as well as financial information on wholly-owned subsidiaries that are considered "deemed parent Crown corporations" and thus consolidated directly in the financial statements of the Government and excluded from the consolidated financial statements of their parent Crown corporations. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Table 4.3 summarizes such borrowings for the consolidated corporations and the changes for the year ended March 31, 2010. Contingent liabilities of consolidated corporations and other entities are presented in Table 4.4.

A summary of financial assistance under budgetary appropriations to consolidated Crown corporations for the year ended March 31, 2010 is provided in Table 4.5. Differences in figures reported in Table 4.2 and those reported in Table 4.5 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES—ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2010

(in thousands of dollars)

	Assets			
	Financial			
Consolidated Crown corporations and other entities	Third parties	Government, Crown corporations and other entities	Non-financial	Total assets
Crown corporations[1]				
Atomic Energy of Canada Limited	358,484	24,935	738,577	1,121,996
Canada Council for the Arts	271,418	592	23,578	295,588
Canada Development Investment Corporation—PPP Canada Inc	167,899	100	1,074	169,073
Canada Employment Insurance Financing Board	275	2		277
Canada Lands Company Limited—Old Port of Montreal Corporation Inc.	9,937		96,585	106,522
Canada Mortgage and Housing Corporation—Minister's Account				
Canadian Air Transport Security Authority	5,161	110,939	440,522	556,622
Canadian Broadcasting Corporation	231,568	32,001	1,316,461	1,580,030
Canadian Commercial Corporation[2]	469,331	3,585	2,925	475,841
Canadian Dairy Commission—Dairy support operation financed by the Government of Canada				
Canadian Museum for Human Rights	46,874	45,467	77,214	169,555
Canadian Museum of Civilization	46,032	1,445	287,178	334,655
Canadian Museum of Nature	21,357	755	212,173	234,285
Canadian Race Relations Foundation	23,608		88	23,696
Canadian Tourism Commission	20,989	813	6,377	28,179
Cape Breton Development Corporation[3]				
Defence Construction (1951) Limited	17,527	16,170	2,715	36,412
Enterprise Cape Breton Corporation	61,239	14,943	3,646	79,828
Federal Bridge Corporation Limited, The[4]	30,591	13,119	230,660	274,370
First Nations Statistical Institute	638		307	945
International Development Research Centre	72,095	6,689	14,034	92,818
Marine Atlantic Inc.	20,715		144,650	165,365
National Arts Centre Corporation	36,262	145	52,562	88,969
National Capital Commission	128,322	5,137	549,609	683,068
National Gallery of Canada	19,420	337	93,017	112,774
National Museum of Science and Technology	15,938	2,514	58,103	76,555
Standards Council of Canada	2,953	2,281	1,370	6,604
Telefilm Canada	6,076	40,054	6,529	52,659
VIA Rail Canada Inc.	62,639	8,721	954,970	1,026,330
Total—Crown Corporations	2,147,348	330,744	5,314,924	7,793,016
Conversion to the Government accounting basis for consolidation purposes	63,356		(584,403)	(521,047)
Net Crown corporations on the Government accounting basis	2,210,704	330,744	4,730,521	7,271,969
Other entities				
Aboriginal Healing Foundation	258	40,891	433	41,582
Canada Foundation for Innovation	1,283,269	660,736	1,645	1,945,650
Canada Foundation for Sustainable Development Technology	481,079	22,038	968	504,085
Canada Millennium Scholarship Foundation[5]	123,869	120	199	124,188
First Nations Market Housing Fund	282,421	30,378	255	313,054
Total—Other entities	2,170,896	754,163	3,500	2,928,559
Conversion to the Government accounting basis for consolidation purposes	(12,156)			(12,156)
Net other entities on the Government accounting basis	2,158,740	754,163	3,500	2,916,403
Total	4,369,444	1,084,907	4,734,021	10,188,372

(1) All Crown corporations listed at the margin in this table are parent Crown corporations.

(2) During the year, Canadian Commercial Corporation was reclassified from an enterprise Crown corporation presented in Section 9 of this volume to a consolidated crown corporation.

(3) The assets and liabilities of the Cape Breton Development Corporation (CBDC) were transferred to Enterprise Cape Breton Corporation and CBDC was dissolved.

(4) The financial information of The Federal Bridge Corporation Limited is consolidated to include the figures of its subsidiaries The Jacques Cartier and Champlain Bridges Incorporated, the Seaway International Bridge Corporation Limited and the St. Mary's River Bridge Company.

(5) The Canada Millenium Scholarship Foundation ceased its activities on January 5, 2010. The figures reported are those as at December 31, 2009.

Liabilities								
Third parties								
Borrowings	Other	Government, Crown corporations and other entities	Total liabilities	Accumulated profits (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
	4,150,917	329,708	4,480,625	(3,724,501)	350,872	15,000	(3,358,629)	1,121,996
	33,275	842	34,117	211,471	50,000		261,471	295,588
	929	167,166	168,095	978			978	169,073
	102	175	277					277
	15,288	89,574	104,862	1,660			1,660	106,522
	115,451	416,765	532,216	24,406			24,406	556,622
	1,078,549	639,537	1,718,086	(138,056)			(138,056)	1,580,030
12,935	413,387	930	427,252	38,589	10,000		48,589	475,841
	117,078	52,372	169,450	105			105	169,555
	19,769	247,185	266,954	26,833	40,868		67,701	334,655
	38,950	201,339	240,289	(7,590)	1,586		(6,004)	234,285
	93		93	(397)	24,000		23,603	23,696
	7,789	19,090	26,879	1,300			1,300	28,179
	22,691	552	23,243	13,169			13,169	36,412
	272,893	185,347	458,240	(378,412)			(378,412)	79,828
	22,159	192,225	214,384	6,322	53,664		59,986	274,370
	416	280	696	249			249	945
	52,968	23,021	75,989	16,829			16,829	92,818
	(4,866)	131,281	126,415	(219,580)		258,530	38,950	165,365
	15,838	73,571	89,409	(440)			(440)	88,969
	73,266	239,645	312,911	370,157			370,157	683,068
	7,473	99,836	107,309	1,224	4,241		5,465	112,774
	6,014	60,679	66,693	(240)	10,102		9,862	76,555
	3,651	412	4,063	2,541			2,541	6,604
	3,633	4,537	8,170	44,489			44,489	52,659
	185,665	625,299	810,964	200,081	5,985	9,300	215,366	1,026,330
12,935	6,653,378	3,801,368	10,467,681	(3,508,813)	551,318	282,830	(2,674,665)	7,793,016
	(281,814)	(3,585,882)	(3,867,696)	4,180,797	(551,318)	(282,830)	3,346,649	(521,047)
12,935	6,371,564	215,486	6,599,985	671,984			671,984	7,271,969
	2,372	39,210	41,582					41,582
	754	1,944,896	1,945,650					1,945,650
	1,288	502,797	504,085					504,085
	1,393	122,795	124,188					124,188
	9,035	304,019	313,054					313,054
	14,842	2,913,717	2,928,559					2,928,559
		(2,914,238)	(2,914,238)	2,902,082			2,902,082	(12,156)
	14,842	(521)	14,321	2,902,082			2,902,082	2,916,403
12,935	6,386,406	214,965	6,614,306	3,574,066			3,574,066	10,188,372

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES FOR THE YEAR ENDED MARCH 31, 2010

(in thousands of dollars)

	Revenues			
		Government, Crown corporations and other entities		
Consolidated Crown corporations and other entities	Third parties	Financial assistance	Other	Total
Crown corporations				
Atomic Energy of Canada Limited	470,230	810,414	14,240	1,294,884
Canada Council for the Arts	10,913	183,122	2,140	196,175
Canada Development Investment Corporation—				
PPP Canada Inc	4	5,407	156	5,567
Canada Employment Insurance Financing Board		129		129
Canada Lands Company Limited—				
Old Port of Montreal Corporation Inc.	16,840	16,065	5,082	37,987
Canada Mortgage and Housing Corporation—				
Minister's Account		3,028,156		3,028,156
Canadian Air Transport Security Authority	1,044	472,303	108,115	581,462
Canadian Broadcasting Corporation	566,931	1,017,587	121,836	1,706,354
Canadian Commercial Corporation	1,498,444	15,745	4,261	1,518,450
Canadian Dairy Commission—				
Dairy support operation financed by the Government of Canada		4,013		4,013
Canadian Museum for Human Rights	21	8,040		8,061
Canadian Museum of Civilization	13,986	66,355	14,051	94,392
Canadian Museum of Nature	2,145	41,231	(5,531)	37,845
Canadian Race Relations Foundation	485			485
Canadian Tourism Commission	12,571	104,200	2,931	119,702
Cape Breton Development Corporation	2,496	73,484		75,980
Defence Construction (1951) Limited	73		93,676	93,749
Enterprise Cape Breton Corporation	4,248	10,115		14,363
Federal Bridge Corporation Limited, The	12,566	36,347	4,628	53,541
First Nations Statistical Institute		1,287		1,287
International Development Research Centre	33,163	172,409	8,889	214,461
Marine Atlantic Inc.	83,911	106,596	22,346	212,853
National Arts Centre Corporation	23,191	35,929	6,688	65,808
National Capital Commission	29,279	85,387	29,100	143,766
National Gallery of Canada	8,382	50,615		58,997
National Museum of Science and Technology	4,115	30,443	613	35,171
Standards Council of Canada	6,685	7,129	1,385	15,199
Telefilm Canada	17,791	105,667	14,806	138,264
VIA Rail Canada Inc.	263,806	219,111	60,680	543,597
Total—Crown corporations	3,083,320	6,707,286	510,092	10,300,698
Conversion to the Government accounting basis for consolidation purposes	(14,946)	782,859	(358,423)	409,490
Total on the Government accounting basis	3,068,374	7,490,145	151,669	10,710,188
Consolidation adjustments	1,469	(7,490,145)	(151,669)	(7,640,345)
Net amount—Crown corporations	3,069,843			3,069,843
Other entities				
Aboriginal Healing Foundation	635	45,353		45,988
Canada Foundation for Innovation	41,420		350,990	392,410
Canada Foundation for Sustainable Development Technology	15,469		46,068	61,537
Canada Millennium Scholarship Foundation	1,264		210,567	211,831
First Nations Market Housing Fund	9,500		458	9,958
Total—Other entities	68,288	45,353	608,083	721,724
Conversion to the Government accounting basis for consolidation purposes	11,093	83,247	(591,043)	(496,703)
Total on the Government accounting basis	79,381	128,600	17,040	225,021
Consolidation adjustments	16,180	(128,600)	(17,040)	(129,460)
Net amount—Other entities	95,561			95,561
Total	3,165,404			3,165,404

The accompanying notes to Table 4.1 are an integral part of this table.

Expenses							Equity transactions with the Government		
Third parties	Government, Crown corporations and other entities	Total	Net income or (loss)	Equity beginning of year	Equity adjustments and other	Other comprehensive income or (loss)	Dividends	Capital	Equity end of year
1,301,868	72,875	1,374,743	(79,859)	(3,250,914)		(99)		(27,757)	(3,358,629)
196,049	145	196,194	(19)	225,380	(38)	36,148			261,471
3,924	1,835	5,759	(192)	1,170					978
129		129							
38,187		38,187	(200)	(3)	1,863				1,660
3,028,156		3,028,156							
571,897	2,876	574,773	6,689	17,717					24,406
1,565,414	199,239	1,764,653	(58,299)	(79,757)					(138,056)
1,511,834	5,516	1,517,350	1,100		39,489			8,000	48,589
4,013		4,013							
7,202	836	8,038	23	77,403	(77,321)				105
76,068	15,439	91,507	2,885	64,621		195			67,701
36,941	2,460	39,401	(1,556)	(4,552)		104			(6,004)
(1,978)		(1,978)	2,463	21,136		4			23,603
101,632	16,691	118,323	1,379	(79)					1,300
(22,748)	65,831	43,083	32,897	(431,876)	398,979				
87,438		87,438	6,311	6,858					13,169
16,083	12,205	28,288	(13,925)	31,363	(395,850)				(378,412)
53,982	(151)	53,831	(290)	60,276					59,986
4	1,600	1,604	(317)	584	(18)				249
210,947		210,947	3,514	13,462	(147)				16,829
203,626		203,626	9,227	29,723					38,950
64,664	2,466	67,130	(1,322)	417		465			(440)
130,958	9,941	140,899	2,867	365,235	2,055				370,157
49,969	9,018	58,987	10	5,435		20			5,465
33,436	1,562	34,998	173	10,010		(321)			9,862
15,829	17	15,846	(647)	3,285	(1)	(96)			2,541
140,082	4,099	144,181	(5,917)	50,407	(1)				44,489
542,128	7,238	549,366	(5,769)	220,113				1,022	215,366
9,967,734	431,738	10,399,472	(98,774)	(2,562,586)	(30,990)	36,420		(18,735)	(2,674,665)
149,343	(131,489)	17,854	391,636	2,941,708	30,990	(36,420)		18,735	3,346,649
10,117,077	300,249	10,417,326	292,862	379,122					671,984
180,236	(300,249)	(120,013)	(7,520,332)		7,520,332				
10,297,313		10,297,313 (1)	(7,227,470)	379,122	7,520,332				671,984
45,988		45,988							
392,266	144	392,410							
61,537		61,537							
211,831		211,831							
9,500	458	9,958							
721,122	602	721,724							
(1,324)	154	(1,170)	(495,533)	3,397,615					2,902,082
719,798	756	720,554	(495,533)	3,397,615					2,902,082
(129,673)	(756)	(130,429)	969		(969)				
590,125		590,125	(494,564)	3,397,615	(969)				2,902,082
10,887,438		10,887,438	(7,722,034)	3,776,737	7,519,363				3,574,066

(1) The difference between this amount and the Crown corporations expenses presented in the Statement of Operations and Accumulated Deficit in Section 2 of this volume consists of $131 million in financial assistance to enterprise Crown corporations.

Borrowings by Consolidated Agent Crown Corporations

Table 4.3 summarizes the borrowing transactions by consolidated agent Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that an annual statement be included in the *Public Accounts of Canada*. The borrowings are from lenders other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings are consolidated in the summary financial statements of Canada.

TABLE 4.3

BORROWINGS BY CONSOLIDATED AGENT CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/2009	Borrowings and other credits	Repayments and other charges	Balance March 31/2010
Canadian Commercial Corporation	38,690	13,352	39,107	12,935

Contingent Liabilities of Consolidated Crown Corporations and Other Entities

Table 4.4 summarizes the contingent liabilities of the consolidated Crown corporations and other entities. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 4.4

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS AND OTHER ENTITIES

(in thousands of dollars)

	March 31, 2010
Agent Crown corporations	
Canadian Broadcasting Corporation — Miscellaneous litigations	50,070
Defence Construction (1951) Limited — Miscellaneous litigations	7,635
National Capital Commission — Environmental, miscellaneous litigations and agreements	435,165
Non-agent Crown corporations	
Marine Atlantic Inc. — Site contamination lawsuit, miscellaneous litigations	2,205
Total	495,075

Financial Assistance under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.5 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: *(a)* amounts approved through an operating expenditures vote and *(b)* amounts approved through a capital expenditures vote.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 4.2 and those reported in Table 4.5 result from the use of different accounting policies and from items in transit.

Payments to other entities are recorded as transfer payments and are disclosed in Volume II.

TABLE 4.5

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2010

(in thousands of dollars)

	Operating expenditures vote	Capital expenditures vote	Financial assistance under budgetary appropriations[1]
Agent Crown corporations			
Atomic Energy of Canada Limited	841,691		841,691
Canada Mortgage and Housing Corporation[2]	3,028,156		3,028,156
Canadian Air Transport Security Authority	603,941		603,941
Canadian Broadcasting Corporation	1,021,587	117,929	1,139,516
Canadian Commercial Corporation	15,745		15,745
Canadian Dairy Commission	4,014		4,014
Canadian Museum for Human Rights	26,700		26,700
Canadian Museum of Civilization	66,355		66,355
Canadian Museum of Nature	33,436		33,436
Canadian Tourism Commission	105,102		105,102
Cape Breton Development Corporation	73,484		73,484
Enterprise Cape Breton Corporation	10,115		10,115
Federal Bridge Corporation Limited, The	80,379		80,379
National Capital Commission	85,387	19,533	104,920
National Gallery of Canada	42,593	8,000	50,593
National Museum of Science and Technology	36,694		36,694
Old Port of Montreal Corporation Inc. [3]	23,145		23,145
PPP Canada Inc	172,000		172,000
Telefilm Canada	99,271		99,271
Total—Agent Crown corporations	6,369,795	145,462	6,515,257
Non-agent Crown corporations			
Canada Council for the Arts	183,116		183,116
First Nations Statistical Institute	1,567		1,567
International Development Research Centre	171,296		171,296
Marine Atlantic Inc.	123,493		123,493
National Arts Centre Corporation	35,402		35,402
Standards Council of Canada	7,129		7,129
VIA Rail Canada Inc.	387,291		387,291
Total—Non-agent Crown corporations	909,294		909,294
Total	7,279,089	145,462	7,424,551

(1) Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.
(2) Includes budgetary appropriations for Government programs known as the "Minister's Account".
(3) During the year, Public Works and Government Services Canada transferred capital assets to the Old Port of Montreal Corporation Inc. for a total of $65,594,000.

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenses which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related expenses be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenses.

The transactions of these accounts are reported with revenues and expenses, in order to provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.6 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.6. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Operating Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

		Revenues and other credits		Expenses and other debits		
	April 1/2009	External transactions	Internal transactions	External transactions	Internal transactions	March 31/2010
	$	$	$	$	$	$
Insurance accounts—						
Agriculture and Agri-Food—						
Crop Reinsurance Fund	398,701,457	76,252,981		7,593,346	27,620,000	439,741,092
Less: interest-bearing loans	415,234,751				27,620,000	387,614,751
	(16,533,294)	*76,252,981*		*7,593,346*		*52,126,341*
Agricultural Commodities Stabilization Accounts	646,510	55				646,565
	(15,886,784)	*76,253,036*		*7,593,346*		*52,772,906*
Finance—						
Investors' Indemnity Account	45,303					45,303
Health—						
Health Insurance Supplementary Account	28,387				1	28,386
Human Resources and Skills Development—						
Employment Insurance Operating Account, Table 4.7(1)	57,170,980,947	16,816,815,127	1,882,229,127	21,815,720,275	58,989,997,848	(4,935,692,922)
Natural Resources—						
Canadian Nuclear Safety Commission—						
Nuclear Liability Reinsurance Account	1,954,598	285,893				2,240,491
Transport—						
Ship-Source Oil Pollution Fund	380,312,815	187,597	9,338,533	666,214	302,634	388,870,097
Total insurance accounts	57,537,435,266	16,893,541,653	1,891,567,660	21,823,979,835	58,990,300,483	(4,491,735,739)

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2009	Revenues and other credits		Expenses and other debits		March 31/2010
		External transactions	Internal transactions	External transactions	Internal transactions	
	$	$	$	$	$	$
Other consolidated specified purpose accounts—						
Canadian Heritage—						
National Battlefields Commission—						
Trust Fund	736,595	11,000	1,650	27,266		721,979
Environment—						
Environmental Damages Fund	1,972,115	308,500	100,181	448,646		1,932,150
Parks Canada Agency—						
New Parks and Historic Sites Account	21,904,165	1,091,821	500,000	892,942	1,236,738	21,366,306
	23,876,280	*1,400,321*	*600,181*	*1,341,588*	*1,236,738*	*23,298,456*
Finance—						
Canadian Commercial Bank and Northland Bank Holdback Account	246,223,464					246,223,464
Fisheries and Oceans—						
Supplementary Fish Fines Account	674,456	899,355		227,812		1,345,999
Indian Affairs and Northern Development—						
Environmental Studies Research Fund	380,538		2,155,750			2,536,288
Natural Resources—						
Environmental Studies Research Fund	2,738,558	1,082,747	188,629	31,313		3,978,621
Public Works and Government Services—						
Seized Property Proceeds Account	41,722,168	31,025,557		12,768,712		59,979,013
Transport—						
Fines for the Transportation of Dangerous Goods	749,721	72,000		3,800		817,921
Total other consolidated specified purpose accounts	317,101,780	34,490,980	2,946,210	14,400,491	1,236,738	338,901,741
Endowment principal—						
Environment—						
Parks Canada Agency—						
Mackenzie King trust account	225,000					225,000
Health—						
Canadian Institutes of Health Research—						
Endowments for Health Research	140,267					140,267
Industry—						
National Research Council of Canada—						
H.L. Holmes Fund	4,419,383	95,590				4,514,973
Social Sciences and Humanities Research Council—						
Queen's Fellowship Fund	250,000					250,000
Total endowment principal	5,034,650	95,590				5,130,240
Total	57,859,571,696	16,928,128,223	1,894,513,870	21,838,380,326	58,991,537,221	(4,147,703,758)

(1) In July 2010, Parliament approved the *Jobs and Economic Growth Act* which includes amendments to the *Employment Insurance Act* that are legally deemed to have come into force on January 1, 2009. The Act deems the former Employment Insurance (EI) Account to have been closed as of December 31, 2008 and the Employment Insurance Operating Account to have been established in the accounts of Canada as of January 1, 2009. The adjustment for the closure of the Employment Insurance Account is presented in the current year to reflect the legislative changes approved in July 2010.

Insurance Accounts

For the following Insurance Accounts, revenues and other credits from outside parties totalled $16,894 million ($17,520 million in 2009) while expenses and other debits to outside parties totalled $21,824 million ($16,502 million in 2009) and are reported as expenses in the Statement of Operations.

Revenues and other credits of $1,892 million ($1,084 million in 2009) and expenses and other debits of $58,990 million ($1,644 million in 2009) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to subsection 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from funds paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are funds paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance may authorize an advance of additional funds to cover these obligations. These advances are recovered from future revenues from the provinces. The interest rate has been set by the Department of Finance at zero percent.

Agricultural Commodities Stabilization Accounts

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

These accounts are continued in the accounts of Canada pursuant to subsection 16(2) of the *Farm Income Protection Act*. Current activities are limited to collection of accounts receivable. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of $25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the Act. This sum was increased to $50,000 by Treasury Board Submission No. 817667 dated December 12, 1991.

Section 58 of the Act states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

Employment Insurance Operating Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees and employers, with few exceptions.

The Act authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Operating Account.

The Act provides that the following be credited to the Account: *(a)* premiums, penalties and interest; *(b)* refunds of overpayments of benefits and support measures under Part II of the Act;*(c)* repayments of overpayments made by the Commission under the Labour Market Development Agreements; *(d)* amounts for services rendered to other Government departments or agencies, or to the public; and, *(e)* amounts provided for any other purposes related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission.

The Act also provides that the following be charged to the Account: *(a)* benefits, support measures and financial assistance provided under Part II of the Act; *(b)* contributions to provinces under the Labour Market Development Agreements; and, *(c)* costs of administering the Act including administration costs transferred to provinces and costs to the Canada Employment Insurance Financing Board.

Employee premium rate for each $100 of insurable earnings was $1.73 from January 1, 2009 to December 31, 2009 for employees without a Provincial Parental Insurance Plan and $1.38 for the others. From January 1, 2010 to March 31, 2010, the rate was $1.73 for employees without a Provincial Parental Insurance Plan and $1.36 for the others.

Table 4.7 presents a statement of the transactions in the Employment Insurance Operating Account.

TABLE 4.7

TRANSACTIONS IN THE EMPLOYMENT INSURANCE OPERATING ACCOUNT

(in millions of dollars)

	2009-2010	2008-2009
REVENUE		
Premiums—		
Employers and employees[1]	17,121	17,217
Penalties and interest revenue	56	65
Interest earned		950
	17,177	18,232
EXPENSES		
Benefits	19,253	14,827
Transfers to the provinces—		
Part II	2,333	1,481
Administration costs	1,849	1,639
Administration cost transferred to provinces	184	164
Interest reversed	94	
Bad debts	50	27
	23,763	18,138
Net change before funding from the Government of Canada	(6,586)	94
FUNDING FROM THE GOVERNMENT OF CANADA		
Benefit enhancement measures—		
Budget 2009	1,522	124
Net change	(5,064)	218
Balance at beginning of year	57,171	56,953
Closure of the Employment Insurance Account	(57,043)	
	128	56,953
Balance at end of year	(4,936)	57,171

[1] The difference between premium revenue presented here and the amount presented in the Government of Canada financial statements is due to the elimination on consolidation of premiums incurred by the Government of Canada, for an amount of $360 million ($330 million in 2009).

Nuclear Liability Reinsurance Account

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

Ship-Source Oil Pollution Fund

This account was established pursuant to subsection 2001, c.6 of the *Marine Liability Act* (previously the *Canada Shipping Act*), to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

Other Consolidated Specified Purpose Accounts

For the following Other Specified Purpose Accounts, revenues and other credits from outside parties of $34 million ($24 million in 2009) are reported while expenses and other debits to outside parties of $14 million ($12 million in 2009) are reported in the Statement of Operations.

Revenues and other credits of $3 million ($13 million in 2009), and expenses and other debits of $1 million ($3 million in 2009) internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Trust Fund—National Battlefields Commission

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The funds are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its incorporation Act. Following the land acquisitions of the Commission, funds remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

Environmental Damages Fund

This account was established for the management of court orders/awards or other financial compensation to Environment Canada for damages to the environment.

New Parks and Historic Sites Account

This account was established pursuant to the *Parks Canada Agency Act* to record payments to be used to acquire lands or property required to establish any national park, national historic site or other protected heritage area that has not yet attained full operation status, and to make any related contributions.

Canadian Commercial Bank and Northland Bank Holdback Account

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During the fiscal year, no claims have been received for potential payments from the holdback.

Supplementary Fish Fines Account

The account was established to record the deposit of funds received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under paragraph 79(2) (f) of the Act.

Environmental Studies Research Fund—Indian Affairs and Northern Development

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

Environmental Studies Research Fund—Natural Resources

This account was established pursuant to subsection 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

Seized Property Proceeds Account

This account was established, pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also funds received from the government of foreign states pursuant to agreements for the purpose of the Act. The Act also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to the relevant jurisdictions and the Consolidated Revenue Fund.

Fines for the Transportation of Dangerous Goods

This account was established, pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations, to record fines levied by courts.

Endowment Principal

For the following Endowment Principal Accounts, revenues and other credits from outside parties of $96,000 ($109,000 in 2009) are reported in the Statement of Operations and Accumulated Deficit.

Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of $225,000, to the Government of Canada. The amount of $225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

Endowments for Health Research

This account was established by section 29 of the *Canadian Institutes of Health Research Act* to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

H.L. Holmes Fund

This account was established, pursuant to paragraph 5(1)(f) of the *National Research Council Act*, to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

Queen's Fellowship fund

This fund is an endowment of $250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

SUPPLEMENTARY STATEMENT

Employment Insurance Operating Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Employment Insurance Operating Account have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, by the management of the Canada Employment Insurance Commission.

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The significant accounting policies are identified in Note 2 to the financial statements.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and regulations, as well as the *Financial Administration Act* and regulations.

The Employment Insurance Operating Account's external auditor, the Auditor General of Canada, conducts an independent audit of the financial statements and provides a report to the Minister of Human Resources and Skills Development.

The financial statements of the Employment Insurance Operating Account are an integral part of the *Public Accounts of Canada*, which are tabled in Parliament and referred to the Standing Committee on Public Accounts for examination purposes.

IAN SHUGART
Chairperson of the Canada
Employment Insurance Commission

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and Skills
Development Canada

Gatineau, Canada
August 23, 2010

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS DEVELOPMENT

OPINION ON THE FINANCIAL STATEMENTS

I have audited the balance sheet of the Employment Insurance Operating Account as at March 31, 2010 and the statements of operations and accumulated deficit and cash flow for the year then ended. These financial statements are the responsibility of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Operating Account as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

OTHER MATTER

I wish to draw your attention to significant changes to the accounts for the Employment Insurance program. As described in Note 1 to the financial statements, the legislation that Parliament approved in July 2010 to implement the March 2010 Budget included amendments to the *Employment Insurance Act*. One such amendment was the closure of the Employment Insurance Account, with a surplus of about $57 billion.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 23, 2010

Employment Insurance Operating Account
—Continued

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS	2010	2009
Balance with Receiver General for Canada		55,719,297
Premiums receivable	1,313,958	1,262,757
Due from claimants (Note 3)	567,335	521,362
Amounts receivable (Note 4)	1,647,553	483,194
Advances—Employment benefits and support measures	83	2,988
	3,528,929	57,989,598

LIABILITIES	2010	2009
Balance with Receiver General for Canada	7,770,119	
Unredeemed warrants (Note 5)	99,067	130,297
Benefits payable	537,912	599,507
Amounts payable (Note 6)	57,539	89,438
	8,464,637	819,242
ACCUMULATED (DEFICIT) SURPLUS	(4,935,708)	57,170,356
	3,528,929	57,989,598

Contingent liabilities (Note 12)

The accompanying notes and schedules are an integral part of these financial statements.

Approved by:

IAN SHUGART
Chairperson of the Canada
Employment Insurance Commission

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and Skills
Development Canada

Employment Insurance Operating Account
—Continued

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2010	2009
Revenues		
Premiums (Note 7)	17,120,839	17,217,053
Interest on the balance with Receiver General for Canada (Note 1)		950,223
Penalties (Note 3)	41,719	40,927
Interest on overdue accounts receivable (Note 3)	12,875	22,058
	17,175,433	18,230,261
Expenses		
Benefits and support measures (Note 9 and Schedule I)	21,585,593	16,308,179
Administration costs (Note 10)	2,031,411	1,801,152
Other (Note 1)	93,980	
Bad debts	49,983	27,180
	23,760,967	18,136,511
Net (deficit) surplus for the year before funding from the Government of Canada	(6,585,534)	93,750
Funding from the Government of Canada		
Benefit enhancement measures—Budget 2009 (Note 8)	1,522,014	124,000
Net (deficit) surplus for the year	(5,063,520)	217,750
Accumulated surplus at the beginning of the year	57,170,356	56,952,606
Closure of the Employment Insurance Account (Note 1)	(57,042,544)	
	127,812	56,952,606
Accumulated (deficit) surplus at the end of the year	(4,935,708)	57,170,356

The accompanying notes and schedules are an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2010	2009
Operating activities		
Cash receipts:		
Premiums	17,069,638	17,042,498
Interest received		950,223
Recoveries of benefit overpayments and penalties	346,457	324,912
Benefit repayments received from higher income claimants	165,950	149,604
	17,582,045	18,467,237
Cash payments:		
Benefits and support measures	(22,230,430)	(16,517,316)
Administration costs	(2,019,921)	(1,819,458)
	(24,250,351)	(18,336,774)
Net (decrease) increase in cash and cash equivalents	(6,668,306)	130,463
Cash and cash equivalents		
Beginning of year	55,589,000	55,458,537
Other transfers (Note 1):		
Closure of the Employment Insurance Account	(57,042,544)	
Quebec Parental Insurance Plan amount receivable	346,644	
Other: reversal of interest on the balance with Receiver General for Canada	(93,980)	
	(56,789,880)	
	(1,200,880)	55,458,537
End of year	(7,869,186)	55,589,000
Cash and cash equivalents at the end of the year are represented by		
Balance with Receiver General for Canada	(7,770,119)	55,719,297
Unredeemed warrants	(99,067)	(130,297)
	(7,869,186)	55,589,000

The accompanying notes and schedules are an integral part of these financial statements.

Employment Insurance Operating Account
—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

1. Authority, objective and responsibilities

The Canada Employment Insurance Commission (the Commission), a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The Commission is co-managed by the Government, workers and employers. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Operating Account.

The Employment Insurance Operating Account (the Account) was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments receivable from higher income claimants.

The Act authorizes the Government of Canada to enter into Labour Market Development Agreements with each province and territory on the design and delivery of the active employment benefits and support measures contained in the Act. During 2009-2010, all the remaining provinces and territories (Nova Scotia, Prince Edward Island, Newfoundland and Labrador and Yukon) which were still under a co-management agreement have implemented agreements with full responsibility for delivering the active employment benefits and support measures.

The Act also authorizes the Government of Canada to enter into a premium reduction agreement with a province, to allow for a regulatory scheme to make the necessary adjustments and modifications to the Act. This is required to harmonize it with a provincial law that has the effect of reducing or eliminating the special benefits payable under the Act.

Legislative changes

In July 2010, Parliament approved the *Jobs and Economic Growth Act* which includes amendments to the *Employment Insurance Act* (the Act) and regulations that are legally deemed to have come into force on January 1, 2009.

The Act deems the former Employment Insurance (EI) Account to have been closed as of December 31, 2008 and the Employment Insurance Operating (EIO) Account established in the accounts of Canada as of January 1, 2009. As a result, the EI Account accumulated surplus of $57 billion has been incorporated into the accumulated deficit of the Government of Canada. Every reference in all relevant legislations after January 1, 2009 to the EI Account is deemed to refer to the EIO Account.

In addition, the new EIO Account does not earn interest on the balance with the Receiver General for Canada in the same manner as the EI Account. Therefore, interest earned of $94 million on the balance with the Receiver General from January 1 to March 31, 2009 has been reversed and transferred back to the Department of Finance.

The Act also deems the account receivable of $347 million from the province of Quebec for the Quebec Parental Insurance Plan (QPIP) to be considered as if it was now an amount required to be reimbursed to the Consolidated Revenue Fund. The Canada-Quebec agreement relative to the QPIP signed in March 2005 was implemented on January 1, 2006. During the transition period of the QPIP (January 1 to December 31, 2006), Canada continued to pay active maternity, parental and adoption (MPA) claims. As per the agreement, Quebec will reimburse Canada for these MPA benefits paid out by Canada to Quebec residents. As per the legislative changes, this amount receivable of the EI Account has been transferred to the Department of Human Resources and Skills Development Canada.

The EIO Account is the continuity of the former EI Account reporting entity because there are no changes to the EI operations and activities. All the above legislative changes have been reflected in the 2009-2010 amounts.

2. Significant accounting policies

The Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Account are also presented in Volume I of the *Public Accounts of Canada*.

(a) Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector.

(b) Revenue—Premiums

Premiums are recognized as revenue in the period in which they are earned. Premiums earned in the period are measured from amounts assessed by the Canada Revenue Agency (CRA) and from estimates of amounts not assessed based on cash received. Premium revenue also includes adjustments between actual and estimated premiums of previous years.

Employment Insurance Operating Account
—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(c) Funding from the Government of Canada—Benefit enhancement measures

The funding associated with the benefit enhancement measures included in the Budget 2009 is recognized in the period in which the benefit expenditures are incurred.

(d) Expenses—Benefits and support measures

Income benefits (or benefits under Part I of the Act) provide temporary income support to claimants, including self-employed fishers, while they look for work. This includes work-sharing agreements for temporary work shortages. It also includes special benefits such as maternity, parental, sickness and compassionate care benefits. Income benefits represent the amounts paid and payable to claimants for the period relating to the financial year, less benefit overpayments established by the Commission during the year.

Employment benefits and support measures (or benefits under Part II of the Act) provide financial assistance, namely contributions, to eligible persons to help them re-integrate into the labour market and to third parties to help them provide employment assistance services to unemployed workers and employed persons if they are facing a loss of their employment. These expenses include the direct costs of financial and employment assistance programs and related measures provided to eligible persons and third parties. Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement. Overpayments established during the year are deducted from these expenses. Part II expenses also include the transfer payments to the provinces and territories under the Labour Market Development Agreements.

Claimants with higher income levels than those stated in the Act have to repay benefits received. Estimated benefit repayments received or receivable from those claimants are deducted from benefits and support measures.

(e) Administration costs

The administration costs of the Act are based on a formula allocating the expenses between the Department of Human Resources and Skills Development and the Account. The expense allocation formula takes into consideration the source of funding, from the Account or from the Consolidated Revenue Fund. In addition, the administration costs incurred by the provinces and the territories to administer the Labour Market Development Agreements are included in the administration costs for the year based on provisions in the agreements.

(f) Advances—Employment benefits and support measures

Advances for employment benefits and support measures are recorded as an asset on the balance sheet and are charged to expenses upon utilization.

(g) Asset and liability valuation

Due to the short-term nature, the carrying value of the financial assets and liabilities of the Account approximate their fair value at the end of the year.

(h) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and revenue and expenses during the reporting period. The most significant estimates are related to premiums, administration costs, benefit repayments, allowance for doubtful accounts, benefit enhancement measures relating to work-sharing and the amounts presented in Schedule II. Actual results could differ significantly from these estimates.

3. Due from claimants

	2010	2009
	(in thousands of dollars)	
Benefit overpayments receivable	503,357	494,444
Amount of penalties receivable	140,128	150,905
	643,485	645,349
Less: allowance for doubtful accounts	359,109	359,061
	284,376	286,288
Estimated benefit repayments receivable from higher income claimants	282,959	235,074
	567,335	521,362

The Commission detects overpayments on claims processed during the current and preceding years. These overpayments are accounted for by reducing the benefit expenses during the year in which they are established. During the year, overpayments totalling $340 million were established ($277 million in 2008-2009). Interest charges on overpayments totalled $9 million ($16 million in 2008-2009).

Employment Insurance Operating Account
—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

The Commission may impose penalties on a claimant or an employer when it becomes aware that information they have provided is false or misleading. The Act sets the maximum amounts that may be imposed in these cases. During the year, the Commission imposed penalties totalling $42 million ($41 million in 2008-2009). Interest charges on penalties totalled $3 million ($6 million in 2008-2009).

During 2009-2010, the Commission recovered $346 million ($325 million in 2008-2009) of benefit overpayments and penalties. Uncollectible benefit overpayments and penalties written off during the year amounted to $50 million ($47 million in 2008-2009).

The Commission establishes an allowance for doubtful accounts by aging the balance of the accounts receivable outstanding and by applying varying percentages based on past recovery experience to the aging categories so determined.

In accordance with Treasury Board regulations, the Account charges interest on outstanding employment insurance debts caused through misrepresentation.

4. Amounts receivable

	2010	2009
	(in thousands of dollars)	
From Canada		
Benefit enhancement measures—Budget 2009 (Note 8)	1,646,014	124,000
Amount to be recovered for the social insurance number registry		12,550
Amounts payable related to Labour Market Development Agreements	1,539	
	1,647,553	136,550
From provinces		
Benefits to be recovered under Quebec Parental Insurance Plan		345,223
Administration costs to be recovered under Quebec Parental Insurance Plan		1,421
		346,644
	1,647,553	483,194

The account receivable related to the Quebec Parental Insurance Plan (QPIP) was transferred to Human Resources and Skills Development Canada (HRSDC), following Parliament approval of the *Jobs and Economic Growth Act* in July 2010. The reimbursement of the amount due by the province of Quebec will be paid into the Consolidated Revenue Fund through HRSDC. See note 1.

5. Warrants

All amounts paid as or on account of benefits under the Act are paid by special warrants drawn on the Receiver General and issued by the Commission by electronic means or bearing the printed signature of the Chairperson and Vice-Chairperson of the Commission. The amount of unredeemed warrants reported in the balance sheet, represents the warrants issued that are still outstanding at the end of the fiscal year.

6. Amounts payable

	2010	2009
	(in thousands of dollars)	
To Canada		
Administration costs	46,782	39,716
Tax deductions from warrants	5,503	33,348
Recoupments from warrants	1,858	1,557
Amounts payable related to Labour Market Development Agreements		375
	54,143	74,996
To provinces		
Recoupments from warrants	1,304	2,125
Quebec tax deductions from warrants	886	4,899
Amounts payable related to Labour Market Development Agreements	1,206	7,418
	3,396	14,442
	57,539	89,438

7. Premiums

Premiums for the year are measured by the Canada Revenue Agency (CRA) based on amounts assessed and reassessed at the time of preparation of its financial statements and an estimate of premiums earned in the period but not yet assessed or reassessed. The estimate of premiums earned but not yet assessed or reassessed is based on cash amounts received at the time of preparation of the financial statements that relate to the fiscal year.

Actual premiums may differ from these estimates. Actual premium revenue for calendar years 2009 and 2010 will only be known once the CRA has processed all employer declarations of premiums for these years. An adjustment for the difference between actual and estimated

Employment Insurance Operating Account
—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

premiums will be recorded in the fiscal year in which the actual assessment or reassessment results are known.

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For the calendar year 2009, the total amount of reductions is estimated at $817 million ($785 million in 2008). Actual reductions for the calendar year 2008 were $809 million ($722 million in 2007). Employees insured under a qualified wage loss insurance plan are entitled to allowances because of illness, injury, pregnancy or child care, depending on the plan. These allowances have the effect of reducing the special benefits payable by the Account to the insured persons.

Pursuant to section 66(1) of the Act, the premium rates for the years 2008 and 2009 were set by the Commission. In setting the rates, the Commission relied on the principle that the premium rate should generate just enough premium revenue to cover the payments, including administration costs, to be made during that year based on forecast values of economic variables provided by the Minister of Finance, and in doing so, took into account the report of the chief actuary to the Commission and any public input. For the year 2010, the premium rate was set as per section 66(4) of the Act.

For the following calendar years, premium rates for each $100 of insurable earnings were:

	2010	2009	2008
	(in dollars)		
Residents of provinces without a Provincial Plan			
For employees	1.73	1.73	1.73
For employers (calculated at 1.4 times the employee rate)	2.42	2.42	2.42
Residents of provinces with a Provincial Plan			
For employees	1.36	1.38	1.39
For employers (calculated at 1.4 times the employee rate)	1.90	1.93	1.95

The annual maximum insurable earnings for 2010 is $43,200 ($42,300 in 2009 and $41,100 in 2008).

8. Benefit enhancement measures—Budget 2009

	2010	2009
	(in thousands of dollars)	
Increase in regular benefits duration—Extra five weeks	795,769	124,000
Employment Insurance Training Programs—Labour Market Development Agreements increased funding	500,000	
Work-sharing	211,238	
New measures for long-tenured workers—Career transition assistance	15,007	
	1,522,014	124,000

The Budget 2009 includes various measures to support Canadian workers affected by the global economic downturn. The cost of these enhancement measures is not funded from the Account and will be recovered from the Government of Canada. The increase in the Regular Benefits Duration measure was implemented in March 2009. The other types of measures were implemented and began being paid to eligible claimants in 2009-2010.

9. Estimated overpayments and underpayments of benefits

Given the large number of claimants to be monitored and the need for prompt service, the Commission applies a selective approach of control procedures. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefit payouts. For benefits paid during the twelve months ended March 31, 2010, these undetected overpayments and underpayments are estimated to be $520 million and $250 million respectively ($449 million and $162 million for the twelve months ended March 31, 2009). These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

The overpayments established during the year, as indicated in Note 3, are not directly linked to the above noted estimated overpayments and underpayments of benefits for the same period.

Employment Insurance Operating Account
—Continued

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Concluded*

10. Administration costs

	2010	2009
	(in thousands of dollars)	
Administration costs	1,853,479	1,649,724
Add: administration costs incurred by provinces and territories under the Labour Market Development Agreements	184,533	164,170
Canada Employment Insurance Financing Board	277	
Deduct: recovery of costs for maintaining the social insurance number registry and issuing replacement cards	(6,878)	(12,742)
	2,031,411	1,801,152

11. Related party transactions

The Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of operations under the same terms and conditions that apply to unrelated parties. The transactions are measured at the exchange amount.

Related party transactions not otherwise disclosed in these financial statements include administration costs of $134 million ($112 million in 2008-2009) charged by Public Works and Government Services Canada for accommodation and rental costs, and $191 million ($164 million in 2008-2009) by the Canada Revenue Agency for collecting premiums from employers and employees and other related activities. These costs are charged to the Account based on memoranda of understanding with the Department of Human Resources and Skills Development.

Employment Insurance premiums include the employer's share of premiums paid by the federal government of $360 million ($330 million in 2008-2009).

12. Contingent liabilities

In the normal course of the operations of the Account, numerous appeals against or by the Commission are presently outstanding. The outcome of these appeals is not presently determinable. Any claims resulting from the resolution of these appeals will be accounted for as an expense in the period in which the claim will be determinable. However, in the opinion of management, the result of these appeals should not have a significant impact on the operations of the Account.

13. Canada Employment Insurance Financing Board

The Canada Employment Insurance Financing Board is a Crown corporation established by the *Canada Employment Insurance Financing Board Act* in June 2008. The Board reports to Parliament through the Minister of Human Resources and Skills Development. The Board became operational during the fiscal year.

The Board was created to improve the governance and management of Employment Insurance financing. Starting in 2011, the Board will implement an improved Employment Insurance premium rate-setting mechanism. This mechanism is designed to ensure that Employment Insurance revenues and expenditures break even over time. The information provided in Schedule II for calendar year 2009, prepared in accordance with Canadian generally accepted accounting principles for the public sector, will be used to establish the premium rate. The Board will also manage any excess Employment Insurance revenues from a given year, in a separate bank account, and will invest these excess revenues for future Employment Insurance purposes.

Human Resources and Skills Development Canada will continue to have policy responsibility for Employment Insurance benefits as well as responsibility for program delivery to ensure that the Employment Insurance program is responsive to the needs of Canadians and that it is delivered efficiently and effectively.

Employment Insurance Operating Account
—Continued

SCHEDULE I—BENEFITS AND SUPPORT MEASURES
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	2010	2009
Part I—Income benefits		
Regular	14,529,226	10,102,277
Fishing	258,069	264,355
Work-sharing	300,486	54,625
	15,087,781	10,421,257
Special benefits		
Parental	2,134,187	2,035,017
Sickness	1,023,783	999,754
Maternity	915,184	883,073
Adoption	22,853	22,413
Compassionate care	9,857	9,798
	4,105,864	3,950,055
	19,193,645	14,371,312
Part II—Employment benefits and support measures		
Employment benefits		
Skills development	59,943	238,450
Self-employment	4,651	34,806
Job creation partnerships	16,976	25,682
Targeted wage subsidies	3,496	22,374
	85,066	321,312
Support measures		
Employment assistance	20,854	139,293
Labour market partnerships	154,730	156,913
Research and innovation	12,367	14,227
	187,951	310,433
Transfer payments to provinces and territories related to Labour Market Development Agreements	2,332,766	1,480,224
	2,605,783	2,111,969
Benefits and support measures	21,799,428	16,483,281
Less: benefit repayments received or receivable from higher income claimants	213,835	175,102
	21,585,593	16,308,179

Benefit rates—Income benefits

From January to December 2009, benefits paid represent the lesser of 55 percent of average insurable earnings or $447 per week ($435 per week in 2008). In January 2010, the maximum payment was increased to $457 per week. The benefit rate can be increased to a maximum of the lesser of 80 percent of average insurable earnings or $457 per week as of January 1st, 2010 ($447 per week in 2009 and $435 per week in 2008) for claimants who are in a low-income family with children.

Employment Insurance Operating Account
—Concluded

SCHEDULE II—REVENUES AND EXPENSES
FOR THE PERIOD OF JANUARY 1ST TO DECEMBER 31ST
(in thousands of dollars)

	2009
Revenues	
Premiums	16,909,899
Penalities and interest revenue	44,206
	16,954,105
Expenses	
Benefits and support measures	18,904,762
Transfer payments to provinces and territories related to Labour Market Development Agreements	2,080,782
Administration costs	1,788,622
Administration costs transferred to provinces and territories	180,962
Bad debts	44,283
	22,999,411
Net deficit for the period before funding from the Government of Canada	(6,045,306)
Funding from the Government of Canada	
Benefit enhancement measures—Budget 2009	1,190,286
Net deficit for the period	(4,855,020)

SECTION 5

2009-2010

PUBLIC ACCOUNTS OF CANADA

Accounts Payable and Accrued Liabilities

CONTENTS

Page

Other accounts payable and accrued liabilities............ 5.3
Taxes payable.. 5.11
Environmental liabilities 5.12
Interest and matured debt.............................. 5.13
Allowance for guarantees 5.14

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

This section contains information on accounts reported on the Statement of Financial Position under "Accounts Payable and Accrued Liabilities". The establishment and operation of these accounts are authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent accounts payable, accruals and allowances set up at year end under the authority granted to the President of the Treasury Board under the *Financial Administration Act*.

Table 5.1 presents the year-end balances of accounts payable and accrued liabilities by category. Chart 5A presents accounts payable and accrued liabilities by category at March 31.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 5.1

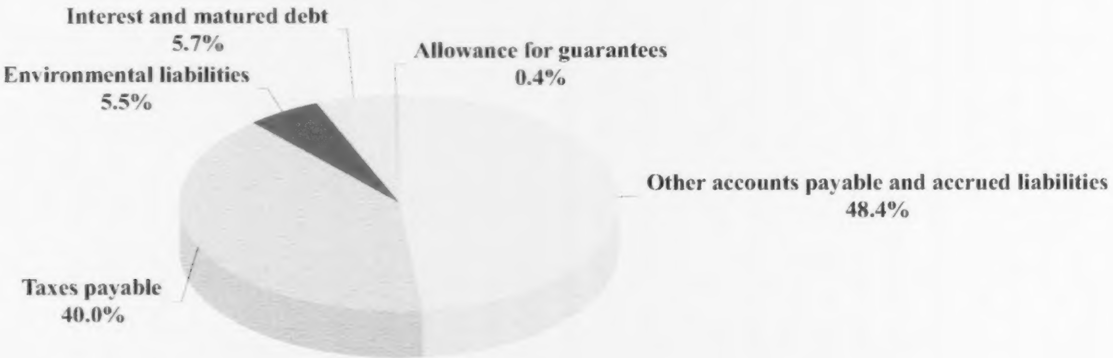
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31/2010	March 31/2009[1]
	$	$
Other accounts payable and accrued liabilities, Table 5.2	58,284,433,375	49,378,797,382
Taxes payable, Table 5.6	48,251,482,987	50,845,363,119
Environmental liabilities, Table 5.7	6,601,824,335	6,342,008,559
Interest and matured debt, Table 5.9	6,852,703,268	6,919,371,231
Allowance for guarantees, Table 5.10	534,679,619	513,570,570
Total	120,525,123,584	113,999,110,861

[1] Certain comparative figures have been reclassified to conform to the current year's presentation.

CHART 5A

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES BY CATEGORY AT MARCH 31, 2010



Other Accounts Payable and Accrued Liabilities

Other accounts payable and accrued liabilities includes accounts payable, accrued salaries and benefits, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous paylist deductions, other accounts and deferred revenues.

Table 5.2 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

TABLE 5.2

OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31/2010	March 31/2009[1]
	$	$
Accounts payable	41,004,171,119	32,326,328,792
Add: consolidation adjustment[2]	2,508,107,809	1,833,362,236
	43,512,278,928	*34,159,691,028*
Accrued salaries and benefits	1,997,223,061	3,062,998,691
Notes payable to international organizations, Table 5.3	418,098,181	430,177,279
Provincial and territorial tax collection agreements account, Table 5.4	6,381,633,081	4,943,530,773
Miscellaneous paylist deductions	159,475,587	325,231,637
Other	703,029,605	723,125,958
Deferred revenues, Table 5.5	5,112,694,932	5,734,042,016
Total	58,284,433,375	49,378,797,382

(1) Certain comparative figures have been reclassified to conform to the current year's presentation.

(2) Additional information on the consolidated Crown corporations and other entities is provided in Section 4 of this volume.

Accounts payable

This account records amounts owing at year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations and other entities.

Accrued salaries and benefits

This amount records salaries and wages owing at year end, amounts owing for earned and unpaid annual vacation leave and compensation time, and other accrued amounts relating to unpaid or retro-active salaries.

Notes payable to international organizations

Share capital subscriptions, loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

TABLE 5.3

NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

		Receipts and other credits		Payments and other charges		
	April 1/2009	Note issuances	Revaluation[1]	Note encashment	Revaluation[1]	March 31/2010
	$	$	$	$	$	$
Finance—						
European Bank for Reconstruction and Development	1,838,268			1,637,874	200,394	
International Bank for Reconstruction and Development (World Bank)	30,249,596				5,887,796	24,361,800
International Development Association	384,280,000	384,280,000		384,280,000		384,280,000
Multilateral Investment Guarantee Agency	4,046,415			787,595		3,258,820
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Fund		100,799,999		100,799,999		
Asian Development Fund		47,690,125		47,690,125		
Caribbean Development Bank—Special		17,585,000		17,585,000		
Global Environment Facility Trust Fund	9,763,000	38,306,191		41,871,630		6,197,561
Inter-American Development Bank—Fund for Special Operations		813,695		813,695		
International Fund for Agriculture Development		50,000,000		50,000,000		
Montreal Protocol Multilateral Fund		3,834,018		3,834,018		
Multilateral Investment Fund		6,316,667		6,316,667		
	9,763,000	*265,345,695*		*268,911,134*		*6,197,561*
Total	430,177,279	649,625,695		655,616,603	6,088,190	418,098,181

[1] Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

Provincial and territorial tax collection agreements account

This account records both income taxes administered by the Government of Canada on behalf of provinces, territories, and aboriginal governments, pursuant to the *Federal Provincial Fiscal Arrangements Act* and harmonized sales tax, sales tax and goods and services sales tax pursuant to the *Excise Tax Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial, territorial, and aboriginal governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes. Furthermore, the Government is empowered to enter into agreements with provincial governments, to collect the harmonized sales tax, and to make payments to them with respect to such tax.

The Government of Canada has entered into agreements with provinces (excluding Quebec) and territories, and with some self-governing First Nations, to collect individual income tax, and, with provinces (excluding Quebec and Alberta except for the tax on preferred shares dividend) and territories, to collect corporate income tax, and, to pay in instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes. The Government has also entered into agreements with the provinces of Nova Scotia, New Brunswick and Newfoundland and Labrador, to collect the harmonized sales tax, and to make payments to them with respect to such tax. Furthermore, the Government has also entered into agreements with some First Nations, to collect sales taxes on motive fuels, tobacco, and alcohol and goods and services sales tax, and to make payments to them with respect to such agreements. This account also reflects amounts related to the Government of Canada's administration of various provincial and territorial programs under Memoranda of Understanding, such as child benefit programs.

Because the *Public Accounts of Canada* reports information on an April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the payments are made, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents the accumulated balances and the net position of the revenues and the payments made to the provinces and territories for corporate and personal income taxes as well as for harmonized sales tax, sales tax and goods and services sales tax.

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Total Personal Income Tax administered by Canada Revenue Agency	1,027,223,052	47,063,624,728		48,090,847,780
Less: payments to provinces and territories—				
Newfoundland and Labrador			885,753,706	885,753,706
Prince Edward Island			248,627,695	248,627,695
Nova Scotia			1,918,292,222	1,918,292,222
New Brunswick			1,329,301,373	1,329,301,373
Ontario			25,151,773,673	25,151,773,673
Manitoba			2,275,448,624	2,275,448,624
Saskatchewan			1,928,929,062	1,928,929,062
Alberta			8,175,432,171	8,175,432,171
British Columbia			5,582,312,762	5,582,312,762
Yukon			59,164,207	59,164,207
Northwest Territories			65,079,945	65,079,945
Nunavut			19,756,786	19,756,786
First Nations			18,634,847	18,634,847
			47,658,507,073	*47,658,507,073*
Total personal income tax on hand	**1,027,223,052**	**47,063,624,728**	**47,658,507,073**	**432,340,707**

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Total Corporate Income Tax administered by Canada Revenue Agency	3,480,148,860	11,930,665,585		15,410,814,445
Less: payments to provinces and territories—				
Newfoundland and Labrador			459,418,912	459,418,912
Prince Edward Island			20,607,446	20,607,446
Nova Scotia			287,719,638	287,719,638
New Brunswick			209,494,299	209,494,299
Ontario			6,313,139,749	6,313,139,749
Quebec			24,620,336	24,620,336
Manitoba			262,409,289	262,409,289
Saskatchewan			869,641,428	869,641,428
Alberta			24,150,266	24,150,266
British Columbia			1,340,014,769	1,340,014,769
Yukon			7,505,701	7,505,701
Northwest Territories			74,321,425	74,321,425
Nunavut			8,856,906	8,856,906
			9,901,900,164	*9,901,900,164*
Total corporate income tax on hand	**3,480,148,860**	**11,930,665,585**	**9,901,900,164**	**5,508,914,281**
Total Harmonized Sales Tax administered by Canada Revenue Agency	434,872,230	2,965,050,024		3,399,922,254
Less: payments to provinces and territories—				
Newfoundland and Labrador			724,847,142	724,847,142
Nova Scotia			1,258,638,379	1,258,638,379
New Brunswick			977,514,234	977,514,234
			2,960,999,755	*2,960,999,755*
Total harmonized sales tax on hand	**434,872,230**	**2,965,050,024**	**2,960,999,755**	**438,922,499**
Total First Nations' Sales Tax administered by Canada Revenue Agency	416,933	7,417,681		7,834,614
Less: payments to First Nations			7,308,891	7,308,891
Total First Nations' Sales Tax on hand	**416,933**	**7,417,681**	**7,308,891**	**525,723**
Total First Nations' Goods and Services Sales Tax administered by Canada Revenue Agency	869,698	12,738,901		13,608,599
Less: payments to First Nations			12,678,728	12,678,728
Total First Nations' Goods and Services Sales Tax on hand	**869,698**	**12,738,901**	**12,678,728**	**929,871**
Total	4,943,530,773	61,979,496,919	60,541,394,611	6,381,633,081

Miscellaneous paylist deductions

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

Other

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

Deferred Revenues

This account records revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year. It includes licence fees received for which access to the radio spectrum is being provided in subsequent years and also presents separately revenues received which have been recorded in a specified purpose account.

Table 5.5 presents the balances and transactions of deferred revenues.

TABLE 5.5

DEFERRED REVENUES

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Deferred revenues—				
Citizenship and Immigration—				
Service fees for immigration and citizenship	416,228,735	195,155,475	217,214,767	394,169,443
Industry—				
Spectrum licence fees and other fees	4,953,869,807	344,031,223	925,087,386	4,372,813,644
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Provincial arrangement on capital assets	115,470,903 (1)	4,185,254	58,646	119,597,511
Other departments	200,788,459 (1)	1,600,135,483	1,627,864,471	173,059,471
Total	5,686,357,904	2,143,507,435	2,770,225,270	5,059,640,069
Other deferred revenues—Specified purpose accounts—				
Donation and bequest accounts—				
Agriculture and Agri-Food—				
Shared-cost agreements—Research	11,799,995	6,158,420	5,757,807	12,200,608
Canadian Heritage—				
Library and Archives of Canada—				
Special operating account	93,734	447,724	403,190	138,268
Environment—				
Endangered species—Donations	248,549	297	104,662	144,184
Parks Canada Agency—				
Pacific Rim Mitigation Fund	1,875,000		125,000	1,750,000
	2,123,549	*297*	*229,662*	*1,894,184*
Fisheries and Oceans—				
Restricted donations	23,049			23,049
Foreign Affairs and International Trade—				
Canadian Landmine Action Fund	772		772	
Governor General—				
Donations—Rideau Hall	4,430	13,301	944	16,787
Shared-cost agreements—Awards		18,800	18,800	
	4,430	*32,101*	*19,744*	*16,787*
Health—				
Canadian Institutes of Health Research—				
Donations for research	10,135,031	9,301,736	9,139,725	10,297,042
Human Resources and Skills Development—				
Canadian Centre for Occupational Health and Safety—				
Donations	95,807			95,807
Industry—				
Prime Minister's Awards and other deposits	3,454,827	2,002,239	1,541,606	3,915,460
Canadian Space Agency—				
RADARSAT-2	8,596			8,596
RADARSAT-2—Data satellite	432,327	859,509	1,265,895	25,941
	440,923	*859,509*	*1,265,895*	*34,537*
National Research Council of Canada—				
Trust fund	17,059,993	22,330,255	18,733,811	20,656,437
Natural Sciences and Engineering Research Council—				
Trust fund	250			250
Social Sciences and Humanities Research Council—				
Trust fund	391,265	551		391,816
	21,347,258	*25,192,554*	*21,541,312*	*24,998,500*
National Defence—				
Corporate sponsorships and donations	138,140	8,318,266	8,404,461	51,945

TABLE 5.5

DEFERRED REVENUES—*Concluded*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Mounted Police Foundation	359,901	162,686		522,587
Royal Canadian Mounted Police Pipe Band (NCR)	10,254			10,254
Sponsorship Agreement—Contributions	250,633	35,000	75,479	210,154
	620,788	*197,686*	*75,479*	*742,995*
Veterans Affairs—				
Restricted donations—				
Canadian Memorial	50,252			50,252
Wounded Warrior Fund		58,000	1,168	56,832
	50,252	*58,000*	*1,168*	*107,084*
Total—Donation and bequest accounts	46,432,805	49,706,784	45,573,320	50,566,269
Endowment interest accounts—				
Environment—				
Parks Canada Agency—				
Laurier House—Interest (Mackenzie King trust account)		8,100	8,100	
Health—				
Canadian Institutes of Health Research—				
Endowments for health research	7,983	158		8,141
Industry—				
National Research Council of Canada—				
H.L. Holmes Fund		117,354	117,354	
Social Sciences and Humanities Research Council—				
Queen's Fellowship Fund	105,171	809		105,980
	105,171	*118,163*	*117,354*	*105,980*
Transport—				
Shared-cost agreements—Transportation research and development	1,138,153	2,098,636	862,316	2,374,473
Total—Endowment interest accounts	1,251,307	2,225,057	987,770	2,488,594
Total—Other deferred revenues—Specified purpose accounts	47,684,112	51,931,841	46,561,090	53,054,863
Total—Deferred revenues	5,734,042,016	2,195,439,276	2,816,786,360	5,112,694,932

(1) Amends previous year's *Public Accounts of Canada*.

Service fees for immigration and citizenship

This account was established to record fees and rights derived from the *Citizenship Act* and Regulations and the *Immigration and Refugees Protection Act* and Regulations. Fees are deferred until the application is deemed processed, while rights (right of citizenship and right of permanent residence) are deferred until the right is granted.

Spectrum licence fees and other fees

This account was established to record, *(a)* funds received from Spectrum Auctions, which are recognized as revenues over the period of the licences; *(b)* funds received from Spectrum Licence Fees that are received in the latter part of the fiscal year, but which are applicable to the following fiscal year; and, *(c)* funds received from other sources such as patents and trademarks examination and registration fees, Bankruptcy Trustee Licence Fees and Competition Bureau Pre-Merger Fees, which are recognized as revenue in the subsequent year.

Provincial arrangement on capital assets

This account was established to record capital assets received by the Royal Canadian Mounted Police pursuant to the provincial arrangement (contracts) on capital assets. The revenue is recognized on the same basis as the amortization of the corresponding capital asset.

Shared-cost agreements—Research

This account was established to record amounts deposited by external parties for shared-cost projects, and any related future provincial program payments to be made on a province's behalf by Agriculture and Agri-Food Canada as part of a related project. Funds are disbursed on behalf of depositors as specific projects are undertaken.

Special operating account

This account was established, pursuant to section 18 of the *Library and Archives of Canada Act*, to record funds received for the purposes of the Library and Archives of Canada, by way of gifts. Amounts required for the purposes of the Act may be paid out of this account, or out of funds appropriated by Parliament for such purposes.

Endangered species—Donations

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to endangered species.

Pacific Rim Mitigation Fund

This account was established to record funds received for the protection of lands within the Pacific Rim National Park Reserve of Canada. Funds so received are used to monitor community use impacts, carry out related research and implement required mitigation measures.

Restricted donations—Fisheries and Oceans

This account was established to record directed donations to be used for research, development, management and promotion of fisheries and oceans related issues.

Canadian Landmine Action Fund

This account was established to record funds received from the public to support Canadian Mine Action Programs pursuant to the Ottawa Convention agreement which bans the production, use, stockpiling and export of anti-personnel mines.

During the year, the account was closed.

Donations—Rideau Hall

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

Shared-cost agreements—Awards

This account was established to record amounts deposited by external parties for shared-cost projects.

Donations for research

This account was established, pursuant to section 29 of the *Canadian Institutes of Health Research Act*, to record donations and contributions received from organizations and individuals for biomedical research.

Donations

This account was established, pursuant to subsection 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record funds, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

Prime Minister's Awards and other deposits

This account was established to record amounts deposited by external parties to be used in support of the Prime Minister's Awards for teaching excellence and amounts deposited by customers to be used for payments of services provided by Industry Canada.

RADARSAT-2

This account was established to record funds received for the configuration and layout of relocated MacDonald, Dettwiler and Associates personnel.

RADARSAT-2—Data satellite

This account was established to record funds received from "MacDonald, Dettwiler and Associates" for the reception, archiving, cataloging and satellite acquisition services.

Trust fund—National Research Council of Canada

This account was established by the *National Research Council Act* to record funds received from other governments and organizations outside the accounting entity to cover expenses made on their behalf.

Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations to cover expenses made on their behalf.

Trust fund—Social Sciences and Humanities Research Council

This account was established to record funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations for the purpose of special projects.

Corporate sponsorships and donations

This account was established by the Department of National Defence to administer funds received from various private companies, not for profit corporations, associations, other levels of government, or individuals for the purpose of holding events, conducting operations and constructing capital assets consistent with the Department's mandate but not funded from its appropriations.

Mounted Police Foundation

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenses related to community policing, educational, promotional and public relations projects throughout Canada.

Royal Canadian Mounted Police Pipe Band (NCR)

This account was established to administer sponsorship funds to support the Royal Canadian Mounted Police Pipe Band.

Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

Restricted donations—Canadian Memorial

This account was established to record directed donations for the purpose of management and maintenance of the Canadian Memorial in Green Park, London, United Kingdom.

Restricted donations—Wounded Warrior Fund

This account was established to record directed donations for the purpose of providing assistance to support the pilot project designed to assist disenfranchised Veterans in crisis.

Laurier House—Interest (Mackenzie King trust account)

The late The Right Hon W. L. Mackenzie King bequeathed Laurier House, Ottawa, and the sum of $225,000, to the Government of Canada. The amount of $225,000 was credited to the account and earns interest, in accordance with the terms of section 3 of the *Laurier House Act*. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

Endowments for health research

This account was established by section 29 of the *Canadian Institutes of Health Research Act*, to record various endowments received from donors for the purpose of health research. The interest received is used for the payment of research grants.

H. L. Holmes Fund

This account was established, pursuant to paragraph 5(1)(f) of the *National Research Council Act*, to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

Queen's Fellowship Fund

This fund is an endowment of $250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

Shared-cost agreements—Transportation research and development

This account was established to record, on a temporary basis, *(a)* funds received from cost-sharing agreements intended to strengthen and improve the safety, security and efficiency of the Canadian transportation system; and, *(b)* funds received from private sector and provincial governments to directly support the departmental strategic objectives.

Taxes Payable

Taxes payable include amounts payable to taxpayers based on assessments as well as estimates of refunds owing for assessments not completed by year end.

Table 5.6 presents a summary of the balances for the different tax revenue streams.

TABLE 5.6

TAXES PAYABLE

	March 31/2010	March 31/2009
	$	$
Personal and non-resident income tax	31,337,532,951	30,441,434,803
Corporate income tax	10,670,362,690	13,217,458,916
Goods and services tax	6,195,417,931	7,156,276,537
Customs and excise	48,169,415	30,192,863
Total	48,251,482,987	50,845,363,119

Personal and non-resident income tax

This account records tax refunds payable to individual taxpayers as well as amounts payable to employers and other withholders of personal income tax. This account also includes any interest owing on the balances.

Corporate income tax

This account records tax refunds payable and any interest owing to corporate taxpayers.

Goods and services tax

This account records refunds, rebates and any interest owing related to the goods and services tax.

Customs and excise

This account records refunds of customs import duties, excise taxes and duties, energy taxes and any interest owing on the balances.

Environmental Liabilities

Environmental liabilities include the estimated costs related to the remediation of contaminated sites and to the future restoration of certain tangible capital assets where the Government is obligated, or likely obligated to incur such costs.

The Government has identified approximately 2,400 contaminated sites and 30 unexploded explosive ordnance (UXO) affected sites (2,000 contaminated sites and 10 UXO affected sites in 2009) for which it is likely obligated to remediate. Continued assessment work will lead to a more accurate cost estimate of the identified sites.

The contingent liabilities associated with the contaminated sites and UXO affected sites are disclosed in Section 11 of this volume.

Table 5.7 presents the liability balances of the custodian departments and Crown corporations for remediation liabilities for contaminated sites and asset restoration liabilities for UXO affected sites, nuclear facility decommissioning and certain electronic equipment.

TABLE 5.7

ENVIRONMENTAL LIABILITIES

	March 31/2010	March 31/2009(1)
	$	$
Remediation of contaminated sites—		
Agriculture and Agri-Food	1,358,938	1,237,877
Canada Border Services Agency	291,800	361,800
Correctional Service	9,176,768	13,492,696
Environment	88,795,353	56,268,622
Fisheries and Oceans	73,175,003	70,454,782
Health	90,200	1,505,750
Indian Affairs and Northern Development	1,901,998,175	1,571,348,105
Industry		90,000
National Defence	331,776,208	365,214,806
National Research Council of Canada	1,880,195	4,150,000
Natural Resources	349,948,200	359,416,175
Parks Canada Agency	62,193,172	57,371,037
Public Works and Government Services	332,570,240	289,631,869
Royal Canadian Mounted Police	3,757,132	7,375,678
Transport	146,546,829	197,684,580
	3,303,558,213	*2,995,603,777*
Consolidated Crown corporations and other entities —		
Enterprise Cape Breton Corporation(2)	147,476,000	192,170,000
National Capital Commission	39,339,000	29,863,000
The Jacques-Cartier and Champlain Bridges Inc.	1,000,000	1,000,000
VIA Rail Canada Inc.	1,687,000	1,416,000
	189,502,000	*224,449,000*
Total remediation of contaminated sites	3,493,060,213	3,220,052,777
Future asset restoration —		
National Defence (Unexploded explosive ordnance affected sites)	16,387,122	10,000,782
Others	366,000	216,000
	16,753,122	*10,216,782*
Consolidated Crown corporations and other entities —		
Atomic Energy of Canada Limited (nuclear facility decommissioning)	3,084,899,000	3,099,745,000
Others	7,112,000	11,994,000
	3,092,011,000	*3,111,739,000*
Total future asset restoration	3,108,764,122	3,121,955,782
Total environmental liabilities	6,601,824,335	6,342,008,559

(1) Certain comparative figures have been reclassified to conform to the current year's presentation.

(2) On December 31, 2009, the assets and liabilities of the Cape Breton Development Corporation (CBDC) were transferred to Enterprise Cape Breton Corporation and CBDC was dissolved.

Changes in liability for remediation of contaminated sites

Table 5.8 presents a summary of the changes in liability balances for contaminated sites. In addition to expenditures reducing environmental liabilities previously recorded, the government spent another $28,280,675 ($15,968,396 in 2009) as management and remediation costs on its contaminated sites when these costs became known in the year.

TABLE 5.8

CHANGES IN LIABILITY FOR REMEDIATION OF CONTAMINATED SITES

	March 31/2010	March 31/2009
	$	$
Opening Balance	3,220,052,777	3,332,727,858
Less: Expenditures reducing opening liabilities	307,966,826	220,900,966
Add: Changes in estimated remediation costs	441,294,743	24,003,543
New liability for sites not previously recorded	139,679,519	84,222,342
Closing Balance	3,493,060,213	3,220,052,777

Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued and matured debt.

Table 5.9 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

TABLE 5.9

INTEREST AND MATURED DEBT

	March 31/2010	March 31/2009
	$	$
Interest due	2,237,733,532	2,378,895,804
Interest accrued	4,540,642,736	4,460,344,827
Matured debt	74,327,000	80,130,600
Total	6,852,703,268	6,919,371,231

Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to other revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

Allowance for Guarantees

This category of accounts payable and accrued liabilities includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.10 presents a summary of the balances for the accounts in this category of accounts payable and accrued liabilities.

TABLE 5.10

ALLOWANCE FOR GUARANTEES

	March 31/2010	March 31/2009
	$	$
Allowance for loan guarantees	484,772,233	432,718,424
Allowance for borrowings of Crown corporations	49,907,386	80,852,146
Total	534,679,619	513,570,570

Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated (see Table 11.5 in Section 11 of this volume).

Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

Borrowings of non-agent Crown corporations and other government business enterprises may, at times, be guaranteed by the Government.

This account reports the borrowings of agent and non-agent enterprise Crown corporations and other government business enterprises expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

SECTION 6

2009-2010

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

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INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension, other future benefits and other liabilities.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year.

The financial statements of the Canada Pension Plan, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 6.1

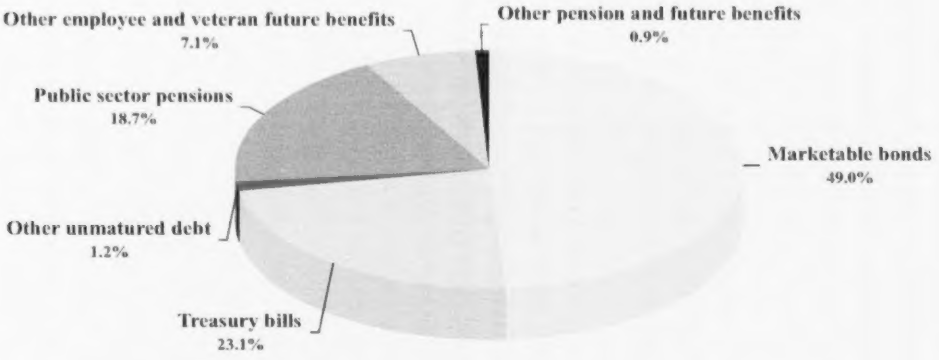
INTEREST-BEARING DEBT

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Unmatured debt[1]—				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	295,185,987,695	111,628,813,334	38,852,392,000	367,962,409,029
Treasury bills, Table 6.3	192,274,750,000	441,174,372,000	457,600,000,000	175,849,122,000
Retail debt, Table 6.4	12,531,767,801	2,071,105,633	2,747,440,351	11,855,433,083
Bonds for Canada Pension Plan, Table 6.5	523,003,000		71,112,000	451,891,000
	500,515,508,496	*554,874,290,967*	*499,270,944,351*	*556,118,855,112*
Payable in foreign currencies—				
Marketable bonds, Table 6.2	(2,083,417)	6,447,812,207	655,921,255	5,789,807,535
Canada bills, Table 6.6	8,707,823,482	15,764,370,286	22,019,488,799	2,452,704,969
Euro medium-term notes, Table 6.7	1,675,500,000		1,675,500,000	
	10,381,240,065	*22,212,182,493*	*24,350,910,054*	*8,242,512,504*
Total—Market debt	510,896,748,561	577,086,473,460	523,621,854,405	564,361,367,616
Cross-currency swap revaluation	3,689,979,340		7,923,155,013	(4,233,175,672)
Unamortized discounts and premiums on market debt, Table 6.8	(4,750,774,887)	2,358,692,185	2,700,027,847	(5,092,110,549)
Obligation related to capital leases, Table 6.14	4,184,408,653	17,306,270	111,983,094	4,089,731,828
Total—Unmatured debt	514,020,361,667	579,462,471,915	534,357,020,359	559,125,813,223
Pension, other future benefits and other liabilities—				
Public sector pensions, Table 6.17—				
Superannuation accounts	153,147,702,613	16,320,199,302	13,687,111,845	155,780,790,070
Allowance for pension adjustments	(13,239,000,000)	1,709,000,000	1,408,000,000	(12,938,000,000)
	139,908,702,613	*18,029,199,302*	*15,095,111,845*	*142,842,790,070*
Other employee and veteran future benefits, Table 6.30	50,311,000,000	8,482,000,000	4,566,000,000	54,227,000,000
Other liabilities—				
Due to Canada Pension Plan, Table 6.31	90,122,831	56,823,252,208	56,738,590,029	174,785,010
Government Annuities Account	267,173,390	17,446,405	41,163,358	243,456,437
Deposit and trust accounts, Table 6.32	1,987,279,540	1,348,953,285	1,134,434,776	2,201,798,049
Other specified purpose accounts, Table 6.35	3,578,251,724	4,614,622,599	4,226,099,076	3,966,775,247
	56,233,827,485	*71,286,274,497*	*66,706,287,239*	*60,813,814,743*
Total—Pension, other future benefits and other liabilities	196,142,530,098	89,315,473,799	81,801,399,084	203,656,604,813
Total	710,162,891,765	668,777,945,714	616,158,419,443	762,782,418,036

(1) This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

CHART 6A

INTEREST-BEARING DEBT BY CATEGORY AT MARCH 31, 2010



UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due, cross-currency swap revaluation and unamortized discounts and premiums on market debt and obligations related to capital leases.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

— bought and sold on the open market;

— payable in Canadian or foreign currency;

— subject to redemption before maturity;

— fixed dates of maturity;

— interest payable either in coupon or registered form; and,

— face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2010.

TABLE 6.2

MARKETABLE BONDS

	April 1/2009	Receipts and other credits[1]	Payments and other charges[1]	March 31/2010
	$	$	$	$
Payable in Canadian currency—				
Matured 2009-2010	21,489,392,000		21,489,392,000	
Maturing 2010-2011	31,191,618,000		5,158,868,000	26,032,750,000
2011-2012	30,175,382,000	28,500,000,000	1,464,100,000	57,211,282,000
2012-2013	17,156,018,000	23,100,000,000		40,256,018,000
2013-2014	24,770,116,000			24,770,116,000
2014-2015	25,753,802,000	15,000,000,000		40,753,802,000
2015-2016	10,599,830,000	9,000,000,000		19,599,830,000
2016-2017	10,157,400,000			10,157,400,000
2017-2018	10,342,526,000			10,342,526,000
2018-2019	10,622,764,000			10,622,764,000
2019-2020	10,350,000,000	7,300,000,000		17,650,000,000
2020-2021	663,361,000	10,100,000,000	96,000,000	10,667,361,000
2021-2022	7,392,066,782	129,606,211	66,335,000	7,455,337,993
2022-2023	237,112,000		31,090,000	206,022,000
2023-2024	4,449,000,000		691,879,000	3,757,121,000
2025-2026	4,218,573,000		1,143,228,000	3,075,345,000
2026-2027	6,755,434,370	124,375,425		6,879,809,795
2027-2028	6,471,435,000		30,000,000	6,441,435,000
2029-2030	12,804,867,000			12,804,867,000
2031-2032	7,172,666,711	132,057,159		7,304,723,870
2033-2034	13,410,295,000			13,410,295,000
2036-2037	6,419,034,446	118,181,910		6,537,216,356
2037-2038	13,999,089,000			13,999,089,000
2041-2042	8,720,057,386	9,357,966,629		18,078,024,015
	295,321,839,695	102,862,187,334	30,170,892,000	368,013,135,029
Less: Government's holdings—				
Government's holdings		8,681,500,000	8,681,500,000	
Consolidation adjustment[2]	135,852,000	85,126,000		50,726,000
	135,852,000	*8,766,626,000*	*8,681,500,000*	*50,726,000*
Total marketable bonds payable in Canadian currency	295,185,987,695	111,628,813,334	38,852,392,000	367,962,409,029
Payable in foreign currencies—				
Matured 2009-2010	199,152,963		199,152,963	
Maturing 2014-2015		3,243,600,000	196,200,000	3,047,400,000
2016-2017	41,930,657		8,161,402	33,769,255
2018-2019	20,281,704		3,947,640	16,334,064
2019-2020	4,414,550	2,991,600,000	248,459,250	2,747,555,300
	265,779,874	6,235,200,000	655,921,255	5,845,058,619
Less: Government's holdings and securities held for the retirement of unmatured debt[3]	267,863,291	212,612,207		55,251,084
Total marketable bonds payable in foreign currencies	(2,083,417)	6,447,812,207	655,921,255	5,789,807,535
Total	295,183,904,278	118,076,625,541	39,508,313,255	373,752,216,564

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[1] These columns include the translation of marketable bonds payable in foreign currencies to Canadian dollars using the closing rates of exchange at March 31.

[2] Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.

[3] These securities were assumed by the Government of Canada on February 5, 2001 upon the dissolution of Petro-Canada Limited. These are presented as a deduction from the foreign currency unmatured debt since they are held specifically for the repayment of the corresponding liabilities assumed upon the dissolution of the Corporation.

Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

— issued at a discount in lieu of interest payments;

— issued in Canadian currency only;

— issued every 2 weeks;

— common terms: 3 months, 6 months and 12 months;

— transferable; and,

— bought and sold on the open market.

The balance at March 31, 2010 consists of $8,500 million in odd issue bills; $51,500 million in three-month bills; $38,600 million in six-month bills; and, $77,300 million in 364-day bills.

Table 6.3 presents a summary of Treasury bill issues and redemptions.

TABLE 6.3
TREASURY BILLS

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Three-month bills	68,600,000,000	216,100,000,000	233,200,000,000	51,500,000,000
Six-month bills	44,000,000,000	80,700,000,000	86,100,000,000	38,600,000,000
Other bills	79,900,000,000	144,200,000,000	138,300,000,000	85,800,000,000
	192,500,000,000	441,000,000,000	457,600,000,000	175,900,000,000
Less: Government's holdings—Consolidation adjustment[1]	225,250,000	174,372,000		50,878,000
Total	192,274,750,000	441,174,372,000	457,600,000,000	175,849,122,000

[1] Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.

Retail Debt

Retail debt includes Canada savings bonds and Canada premium bonds which are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- — issued to Canadian residents;
- — issued in Canadian currency only;
- — registered in the name of the holder;
- — fixed dates of maturity;
- — not marketable;
- — not subject to call before maturity;
- — term to maturity of seven years or more;
- — Canada savings bonds are redeemable on demand by the holder, with accrued interest calculated to the end of the previous month (no interest is paid if redeemed during the first 3 months following the date of issue); and,
- — Canada premium bonds are redeemable in full or partially on any annual anniversary of the issue date and during the 30 days thereafter by the holder, with accrued interest if applicable.

Table 6.4 presents a summary of the balances and transactions for Canada savings bonds and Canada premium bonds.

TABLE 6.4

RETAIL DEBT

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Canada Savings Bonds—				
Maturing 2010-2011	203,770,074		20,707,499	183,062,575
2011-2012	257,951,410		26,061,054	231,890,356
2012-2013	306,164,070		31,571,252	274,592,818
2013-2014[1]	432,019,617		48,612,598	383,407,019
2014-2015[2]	588,766,133		71,639,723	517,126,410
2015-2016[3]	601,203,067		86,707,457	514,495,610
2016-2017[4]	868,694,897		152,326,762	716,368,135
2017-2018[5]	1,703,431,941	490	379,305,012	1,324,127,419
2018-2019[6]	2,156,143,646	941,646,181	1,208,093,686	1,889,696,141
2019-2020[7]	214,258,207	878,815,852	265,385,051	827,689,008
	7,332,403,062	*1,820,462,523*	*2,290,410,094*	*6,862,455,491*
Canada Premium Bonds—				
Maturing 2010-2011	714,748,896		40,866,564	673,882,332
2011-2012	515,098,471		24,306,064	490,792,407
2012-2013	1,012,584,922		41,277,437	971,307,485
2013-2014	825,063,735		42,021,264	783,042,471
2014-2015	246,831,817		11,093,838	235,737,979
2015-2016	168,989,333		7,031,668	161,957,665
2016-2017	170,621,968	7,109	9,583,426	161,045,651
2017-2018	149,392,418		5,437,351	143,955,067
2018-2019[6]	939,780,281	84,684	86,347,222	853,517,743
2019-2020[7]	456,252,898	250,551,317	189,065,423	517,738,792
	5,199,364,739	*250,643,110*	*457,030,257*	*4,992,977,592*
Total	12,531,767,801	2,071,105,633	2,747,440,351	11,855,433,083

(1) Ten years maturity extension to CSB Series 46 until November 1, 2013.
(2) Ten years maturity extension to CSB Series 47 until November 1, 2014.
(3) Ten years maturity extension to CSB Series 48 until November 1, 2015.
(4) Ten years maturity extension to CSB Series 49 until November 1, 2016.
(5) Ten years maturity extension to CSB Series 50 and 52 until November 1, 2017.
(6) Ten years maturity extension to CSB Series 51, 54, 55, 56, 57, 58 and CPB Series 3, 4, 5, 6, 7.
(7) Ten years maturity extension to CSB Series 59, 60, 61, 62, 63, 64 and CPB Series 8, 9, 10, 11, 12, 13.

Bonds for Canada Pension Plan

Bonds for Canada Pension Plan are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan (CPP) Investment Board and have the following characteristics:

- — not negotiable;
- — not transferable;
- — not assignable;
- — issued in Canadian currency only;
- — term to maturity of 20 years or less;
- — interest payable semi-annually; and,
- — redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for these bonds.

TABLE 6.5

BONDS FOR CANADA PENSION PLAN

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Matured 2009-2010	71,112,000		71,112,000	
Maturing 2010-2011	425,010,000			425,010,000
2011-2012	15,763,000			15,763,000
2012-2013	11,118,000			11,118,000
Total	523,003,000		71,112,000	451,891,000

Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- — issued at a discount in lieu of interest payments;
- — term to maturity of not more than 270 days;
- — transferable; and,
- — bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 2010.

Table 6.6 presents a summary of Canada bill issues and redemptions.

TABLE 6.6

CANADA BILLS

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Canada bills before revaluation	8,552,519,520	15,764,370,286	21,970,223,880	2,346,665,926
Exchange valuation adjustment	155,303,962		49,264,919	106,039,043
Total	8,707,823,482	15,764,370,286	22,019,488,799	2,452,704,969

Euro Medium-Term Notes

Euro medium-term notes are issued by the Government of Canada in the Euromarkets under the Government's foreign currency borrowing program, and thus provide Canada with an additional source of medium-term foreign funds.

Table 6.7 presents a summary of the balances and transactions for the Euro medium-term notes.

TABLE 6.7

EURO MEDIUM-TERM NOTES

	April 1/2009	Receipts and other credits[1]	Payments and other charges[1]	March 31/2010
	$	$	$	$
Payable in foreign currencies—				
Matured 2009-2010	1,675,500,000		1,675,500,000	
Total	1,675,500,000		1,675,500,000	

[1] These columns include the translation of Euro notes payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.

Cross-currency Swap Revaluation

This represents the unrealized gains or losses due to fluctuations in the foreign exchange value of the cross-currency swaps.

Unamortized Discounts and Premiums on Market Debt

The unamortized discounts and premiums on market debt have the following characteristics:

- unamortized discounts on Canada bills records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills;
- unamortized discounts on Treasury bills records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenses. Discounts are amortized over the life of the bills; and,
- unamortized discounts and premiums on marketable bonds records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenses. Discounts and premiums are amortized over the life of the bonds.

Table 6.8 presents a summary of the balances and transactions for the unamortized discounts and premiums on market debt.

TABLE 6.8

UNAMORTIZED DISCOUNTS AND PREMIUMS ON MARKET DEBT

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Unamortized discounts on Canada Bills	(13,817,426)	24,025,938	10,627,853	(419,341)
Unamortized discounts on Treasury Bills	(714,836,819)	1,204,693,293	745,414,673	(255,558,199)
Unamortized discounts and premiums on marketable bonds	(4,022,120,642)	1,129,972,954	1,943,985,321	(4,836,133,009)
Total	(4,750,774,887)	2,358,692,185	2,700,027,847	(5,092,110,549)

Interest Rates

Table 6.9 sets out unmatured debt as at March 31, for each of the years 2005-2006 to 2009-2010 inclusively, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as Marketable bonds, Treasury bills, Retail debt, Bonds for the Canada Pension Plan, Canada bills and Foreign currency notes.

TABLE 6.9

UNMATURED DEBT AS AT MARCH 31, FROM 2006 TO 2010, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Retail debt		Bonds for Canada Pension Plan		Canada bills		Foreign currency notes		Total market debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%
2010	373,752	3.85	175,849	0.40	11,855	1.32	452	11.19	2,453	0.13			564,361	2.71
2009	295,184	4.53	192,275	1.34	12,532	2.32	523	11.03	8,707	0.64	1,676	4.50	510,897	3.21
2008	259,429	5.08	116,936	3.60	13,068	3.50	1,042	10.62	1,483	2.59	2,136	3.87	394,094	4.61
2007	263,889	5.23	134,074	4.20	15,175	3.54	1,743	10.37	1,847	5.11	2,118	3.92	418,846	4.86
2006	268,487	5.26	131,597	3.52	17,342	3.84	3,102	10.02	4,734	4.63	1,998	3.85	427,260	4.73

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.10 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 2005-2006 to 2009-2010 inclusively.

TABLE 6.10

TREASURY BILLS AVERAGE YIELDS AT TENDER

	High	Low	Last issue
Year ended March 31	%	%	%
Three-month bills—			
2010	0.42	0.17	0.23
2009	2.83	0.46	0.46
2008	4.61	2.03	2.03
2007	4.30	3.90	4.17
2006	3.79	2.25	3.79
Six-month bills—			
2010	0.52	0.26	0.35
2009	3.09	0.56	0.56
2008	4.70	2.29	2.29
2007	4.44	4.00	4.19
2006	3.89	2.55	3.89
364 days bills—			
2010	0.77	0.46	0.77
2009	3.30	0.68	0.68
2008	4.78	2.34	2.34
2007	4.55	4.10	4.17
2006	4.01	2.74	3.99
Other bills—			
2010	0.25	0.18	0.24
2009	3.39	0.84	0.84
2008	4.47	2.20	3.06
2007	4.27	3.80	4.27
2006	3.73	2.43	3.71

Maturity of Government Debt

Table 6.11 presents total unmatured debt arranged in order of maturity.

TABLE 6.11

MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Retail debt		Bonds for Canada Pension Plan		Canada bills		Foreign currency notes		Total market debt	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%	$(millions)	%
2011	26,033	4.33	175,900	0.40	857	1.97	425	11.29	2,453	0.13			205,668	0.92
2012	57,211	2.51			723	2.24	16	9.92					57,950	2.51
2013	40,256	3.03			1,246	2.78	11	9.37					41,513	3.03
2014	24,770	4.33			1,166	1.79							25,936	4.21
2015	43,801	3.06			753	1.30							44,554	3.03
2016/20....	71,171	3.89			7,110	0.82							78,281	3.61
2021/25....	22,086	4.82											22,086	4.82
2026/30....	29,201	6.24											29,201	6.24
2031/35....	20,715	5.13											20,715	5.13
2036/40....	20,536	4.36											20,536	4.36
2041/45....	18,078	3.25											18,078	3.25
	373,858	3.85	175,900	0.40	11,855	1.32	452	11.19	2,453	0.13			564,518	2.71
Less: Government's holdings[1] ...	106	8.42	51										157	8.42
Total	373,752	3.85	175,849	0.40	11,855	1.32	452	11.19	2,453	0.13			564,361	2.71

Note: This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.12.

(1) Includes government's holdings and securities held for the retirement of unmatured debt (Marketable bonds - $55 million with an average interest rate of 8.42 percent) and consolidation adjustments.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.12 presents information on the Government's borrowing transactions. Included in this table are: borrowings by the Government for general purposes, and borrowings by agent enterprise Crown corporations. Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not included because such borrowings are not on behalf of Her Majesty.

TABLE 6.12

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY
(in millions of dollars)

	April 1/2009	Issues/ Borrowings	Retirements	March 31/2010
Market debt of the Government of Canada(1)	510,897	577,086	523,622	564,361
Cross-currency swap revaluation	3,690		7,923	(4,233)
Unamortized discounts and premiums on market debt(1)..	(4,751)	2,359	2,700	(5,092)
Obligation related to capital leases(1)	4,184	18	112	4,090
	514,020	*579,463*	*534,357*	*559,126*
Borrowings of enterprise Crown corporations designated as agents of Her Majesty(2)	200,417	50,473	39,436	211,454
Total...	714,437	629,936	573,793	770,580

(1) Details can be found in this section.

(2) Details can be found in Section 9 (Table 9.6) of this volume.

Structure of interest-bearing debt

Table 6.13 presents the proportion of interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).

TABLE 6.13

STRUCTURE OF INTEREST-BEARING DEBT

	March 31/2010		March 31/2009 (1)	
	Total	Portion of total of which interest is fixed(2)	Total	Portion of total of which interest is fixed(2)
	$(millions)	%	$(millions)	%
Unmatured debt—				
Market debt—				
Payable in Canadian currency—				
Marketable bonds—				
Nominal	333,344	92.2	263,515	91.8
Real return	34,669	50.0	31,807	50.0
Treasury bills	175,900		192,500	
Retail debt	11,855	20.0	12,532	20.0
Bonds for Canada Pension Plan	452	6.0	523	86.4
	556,220	*58.8*	*500,877*	*52.1*
Payable in foreign currencies	8,298	70.5	10,649	16.4
Less—				
Government's holdings	(55)	50.9	(268)	50.0
Consolidation adjustment	(102)		(361)	
Total—Market debt(3)	564,361	59.0	510,897	51.3
Cross-currency swap revaluation	(4,233)		3,690	
Unamortized discounts and premiums on market debt	(5,092)		(4,751)	
Obligation related to capital leases	4,090	100.0	4,184	100.0
Total—Unmatured debt	559,126	59.3	514,020	51.7
Pension, other future benefits and other liabilities—				
Public sector pensions	142,843	97.0	139,909	97.0
Other employee and veteran future benefits	54,227		50,311	
Other liabilities	6,587	10.0	5,923	10.0
Total—Pension, other future benefits and other liabilities	203,657	68.4	196,143	69.5
Total—Interest-bearing debt(4)	762,783	63.3	710,163	61.0

(1) Certain comparative figures have been restated to reflect the current year's presentation.

(2) Interest-bearing debt having fixed rates (debt that does not mature or need to be re-priced within a year).

(3) The weighted average term to maturity of market debt was 6.0 years in 2010 and 5.9 years in 2009.

(4) The fixed rate share of the debt is adjusted by excluding components of the debt that are matched with financial assets of the same term and therefore do not represent an exposure to interest rate risk. The federal liabilities netted out from the fixed-rate share calculation include liabilities funding the assets in the Exchange Fund Account; debt securities matched with corresponding loans to Crown corporation; Government of Canada debt securities held by the Bank of Canada; and the debt offset by Receiver General cash and deposit balances.

	(in millions of dollars) 2010	2009
Outstanding swap agreements as of March 31 ($ millions Cdn):		
Cross-currency swaps		
Fixed to fixed	28,848	32,286
Fixed to floating	6,035	7,728
Floating to fixed	1,326	
Floating to floating	1,274	
Foreign exchange	76	
Total outstanding swap agreements	37,559	40,014

Obligation related to capital leases

A capital lease is a lease that transfers substantially all the benefits and risks inherent in ownership of the asset to the lessee. The net obligation related to capital leases represents the present values of the remaining minimum lease payments under the capital lease arrangements.

Table 6.14 presents the obligation related to capital lease agreements by asset type.

TABLE 6.14

OBLIGATION RELATED TO CAPITAL LEASES

	April 1/2009	Net changes	March 31/2010
	$	$	$
Land	9,375,684	(496,582)	8,879,102
Buildings	2,873,003,317	7,122,766	2,880,126,083
Works and infrastructure	638,421,669	(16,108,709)	622,312,960
Machinery and equipment	29,319,297	9,224,210	38,543,507
Vehicles	634,288,686	(94,418,510)	539,870,176
Total	4,184,408,653	(94,676,825)	4,089,731,828

Capital Leases

Table 6.15 provides details of obligation under capital lease arrangements.

TABLE 6.15

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES

(in thousands of dollars)

				Balances at March 31, 2010		
	Inception date	Lease term in years	Implicit interest rate (%) (1)	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Canada Revenue Agency—						
IBM-Computer hardware	Oct 2008	4	3.32	2,051	85	1,966
IBM-Computer hardware	Oct 2008	4	3.32	2,376	99	2,277
IBM-Computer hardware	Oct 2008	4	3.32	2,746	114	2,632
IBM-Computer hardware	Oct 2008	4	3.32	3,101	129	2,972
IBM-Additional engines for Computer hardware	Jan 2010	3	1.76	1,647	37	1,610
IBM-Additional engines for Computer hardware	Jan 2010	3	1.76	3,188	71	3,117
Other capital leases less than $1,000,000				163	4	159
				15,272	*539*	*14,733*
Environment—						
Carleton University, Ottawa	May 2002	25	5.63	22,100	8,110	13,990
Supercomputer Meteorological Service of Canada	Sept 2009	3	0.71	14,115	1,119	12,996
				36,215	*9,229*	*26,986*
National Defence—						
Longue Pointe Supply Depot	Nov 1994	35	5.27	66,188	31,857	34,331
Edmonton Armoury - South	May 2001	20	6.07	23,328	6,500	16,828
Edmonton Armoury - North	Dec 2000	20	5.62	15,082	3,759	11,323
Shawinigan Armoury	May 1999	20	5.46	5,087	1,087	4,000
Milit-Air (NFTC)	Dec 1999	20	5.78	597,612	142,592	455,020
Milit-Air (NFTC)	Oct 2003	17	5.87	75,588	19,754	55,834
Montfort Hospital - Health Services	Oct 2003	17	5.26	73,988	24,054	49,934
IBM System Z990 Server PMO MASIS	Jan 2008	4	7.45	1,076	58	1,018
IBM - Z10 Defence Enterprise Server	Jan 2009	3	8.17	4,005	285	3,720
Heron Unmanned Air Vehicles (Noctua project)	Jan 2009	2	0.00	29,016		29,016
				890,970	*229,946*	*661,024*
National Film Board—						
Spirit 4K Film Scanner and DataCine	July 2008	5	8.00	906	78	828
Other capital leases less than $1,000,000				948	29	919
				1,854	*107*	*1,747*
Public Works and Government Services—						
1 Artic Road, Inuvik	March 2008	10	10.73	1,373	454	919
110 O'Connor Street, Ottawa (Lease 1 of 5)	April 2009	10	5.70	5,201	1,140	4,061
110 O'Connor Street, Ottawa (Lease 2 of 5)	April 2009	10	5.43	5,104	1,074	4,030
110 O'Connor Street, Ottawa (Lease 3 of 5)	Dec 2009	10	5.43	9,134	2,039	7,095
110 O'Connor Street, Ottawa (Lease 4 of 5)	Dec 2009	10	5.43	6,773	1,512	5,261
110 O'Connor Street, Ottawa (Lease 5 of 5)	Dec 2009	10	5.43	3,537	790	2,747

TABLE 6.15

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*

(in thousands of dollars)

				Balances at March 31, 2010		
	Inception date	Lease term in years	Implicit interest rate (%) [1]	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
1130 Morrison Drive, Ottawa	April 2003	10	6.12	566	50	516
117 Glencoe Drive, Mount Pearl	Aug 2009	10	3.57	3,508	528	2,980
135 Hunter Street East, Hamilton	June 2003	10	5.66	1,360	118	1,242
1431 Merivale Road, Ottawa	Oct 2007	10	8.22	3,939	1,006	2,933
1484 Centennial Drive, Kingston	Oct 2006	10	18.24	3,538	1,462	2,076
1600 Star Top, Gloucester	July 2004	15	7.15	28,297	7,642	20,655
1620 Dickson Avenue, Kelowna	April 2006	10	4.38	2,098	256	1,842
1725 Woodward Drive, Ottawa (Lease 1 of 2)	Dec 2009	10	8.94	4,338	1,441	2,897
1725 Woodward Drive, Ottawa (Lease 2 of 2)	Dec 2009	10	8.55	4,007	1,286	2,721
179 Third Avenue, Timmins	Feb 2010	10	8.69	7,522	2,476	5,046
18 Corporation Drive, Brampton	April 2004	9	4.37	1,368	88	1,280
1801 Hollis and Duke, Halifax	Oct 2009	10	3.89	4,455	757	3,698
181 Queen Street, Ottawa	March 2004	20	10.65	50,493	24,692	25,801
1925 Mc Callum Road, Abbotsford	Nov 2008	15	4.30	5,227	1,389	3,838
200 John Street West, Oshawa	Nov 2009	10	7.16	2,663	740	1,923
22 De Varennes, Gatineau	Nov 2007	10	10.97	4,701	1,519	3,182
220 Fortin Street, Quebec	Dec 2007	10	15.65	1,810	759	1,051
2455 Don Reid Drive, Ottawa	Dec 2009	15	7.71	4,525	1,819	2,706
248 McArthur Avenue, Ottawa (previously McArthur, Ottawa)	Sept 2002	10	7.91	1,041	96	945
2525 Dixie Road, Mississauga	Oct 2009	5	6.67	1,853	256	1,597
2655 Lancaster Road, Ottawa (Lease 1 of 2)	Feb 2009	8	3.94	1,355	169	1,186
2655 Lancaster Road, Ottawa (Lease 2 of 2)	July 2009	8	4.66	1,191	173	1,018
269 Laurier Avenue, Ottawa	Sept 2005	15	4.18	60,855	11,586	49,269
275 De Baets Street, Winnipeg	Feb 2007	10	17.42	1,911	798	1,113
285 Coventry Road, Ottawa	April 2002	10	6.10	4,011	244	3,767
2920 Highway 104, Antigonish (previously 2920 Highway 4, Antigonish)	Feb 2006	10	7.76	955	189	766
295 Belliveau Avenue, Shediac	Jan 2007	15	7.93	4,550	1,605	2,945
3 Lower Malpeque, Charlottetown (previously 5 Lower Malpeque, Charlottetown)	June 2008	10	4.19	1,153	178	975
325 Broadway Avenue, Winnipeg	Jan 2008	10	10.37	10,785	3,393	7,392
3299 Industriel Boulevard, Sherbrooke	Nov 2009	10	6.24	1,834	466	1,368
3600 Lysander Lane, Richmond	March 2010	10	0.43	3,746	82	3,664
365 Hargrave Street, Winnipeg	July 2003	10	4.65	1,640	120	1,520
400 City Hall Square East, Windsor	Jan 2006	10	9.89	3,975	952	3,023
4210 Labelle Street, Ottawa (previously Labelle, Ottawa)	April 2002	10	5.59	2,010	112	1,898
4455 12th Avenue, Shawinigan-Sud	Sept 2003	10	8.85	1,431	200	1,231
50 King Street, Moncton	June 2002	10	6.40	548	38	510
50 Queen Street North, Kitchener	Nov 2006	7	7.81	2,437	317	2,120
520 Exmouth Street, Sarnia	Dec 2006	10	4.08	3,567	449	3,118
555 McAllister Drive, Saint John	Nov 2007	10	8.16	4,774	1,238	3,536
6th and 2nd Building, Edmonton	Sept 2009	5	3.49	1,296	97	1,199
635 8th Avenue South West, Calgary	July 2009	10	3.55	9,744	1,477	8,267
65 John Savage Avenue, Dartmouth	Oct 2004	10	5.93	1,878	233	1,645
6503 67th Street, Red Deer	Sept 2009	10	4.81	1,235	243	992
6900 Airport Road, Mississauga	Oct 2005	5	21.49	595	40	555
78 Richmond Street West, Oshawa	July 2009	5	9.75	3,944	738	3,206
8 Colonnade Road, Ottawa	May 2007	10	5.91	2,062	381	1,681
859 Main Street, Moncton	July 2008	10	5.49	1,598	315	1,283
985 McGill Place, Kamloops	June 2002	15	13.50	2,200	795	1,405
Admiral Building, Ottawa	Aug 2009	15	11.51	2,378	1,269	1,109
Albion Executive Tower, Ottawa	Dec 2009	10	6.80	3,105	834	2,271
Archives St-Augustin de Desmaures, Montreal[2]	Oct 1999	15				
Bank of Canada, Ottawa	Sept 2002	10	6.00	3,890	277	3,613
Bell Canada Place, Ottawa	May 2003	15	10.88	7,634	2,570	5,064
Bell Tower, Edmonton	Jan 2004	10	18.61	2,436	692	1,744
Bellanca Building, Yellowknife	March 2007	5	4.14	2,664	107	2,557
Bonaventure Place, Montreal	May 2005	10	16.43	4,477	1,455	3,022
Boyd Warehouse, Complex No 2, Ottawa	April 2002	10	14.98	871	122	749

TABLE 6.15

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*

(in thousands of dollars)

				Balances at March 31, 2010		
	Inception date	Lease term in years	Implicit interest rate (%) [1]	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Broad Street Crossing, Regina (Lease 1 of 2) (previously 1800 11th Avenue, Regina)	May 2008	10	4.88	1,761	308	1,453
Broad Street Crossing, Regina (Lease 2 of 2) (previously 1800 11th Avenue, Regina)	May 2008	10	9.77	1,363	423	940
C. D. Howe Building, Ottawa	Sept 1977	35	9.19	14,742	1,567	13,175
Canada Building, Ottawa	April 2007	10	4.27	5,054	692	4,362
Canada Building & Enterprise Building, Ottawa	April 2004	9	5.94	21,704	1,869	19,835
Canada Place Building, Edmonton	Oct 2007	25	4.44	412,752	161,372	251,380
Canada Post Place, Ottawa	Dec 2004	15	4.91	29,671	6,086	23,585
Cargill Building, Winnipeg (previously 240 Graham Avenue, Winnipeg)	July 2008	10	7.38	9,487	2,398	7,089
Carling Square, Tower I, Ottawa	Oct 2007	10	11.76	6,226	2,102	4,124
Carling Square, Tower II, Ottawa	Dec 2007	10	7.83	10,320	2,579	7,741
Centennial House, Winnipeg	April 2008	10	4.69	4,129	704	3,425
Centennial Towers, Ottawa	Dec 2003	10	6.70	39,940	4,614	35,326
City Place, Winnipeg (Lease 1 of 2) (previously 234 Donald Street, Winnipeg)	Nov 2008	10	9.16	2,579	802	1,777
City Place, Winnipeg (Lease 2 of 2)	April 2009	10	7.04	4,930	1,295	3,635
Colonnade Warehouse, Nepean	April 2007	10	7.80	1,439	333	1,106
Commerce Tower, Sidney	Dec 2004	7	4.21	396	14	382
Commodity Exchange & Winnipeg Square, Winnipeg (Lease 1 of 2) (previously 360 Main Street, Winnipeg)	Jan 2009	9	9.61	5,777	1,751	4,026
Commodity Exchange & Winnipeg Square, Winnipeg (Lease 2 of 2) (previously 360 Main Street, Winnipeg)	Jan 2009	9	9.74	4,119	1,262	2,857
Corneston E Systems, Ottawa	Sept 2006	5	6.25	933	46	887
Crowsnest Trail Plaza, Lethbridge (previously 920 2A Avenue North, Lethbridge)	July 2008	10	5.83	1,438	307	1,131
De La Cité Place, Gatineau (previously 550 Boulevard de la Cité, Gatineau)	Dec 2003	15	9.78	33,835	11,074	22,761
Des Explorateurs Place, Gatineau (previously 191 Promenade du Portage, Gatineau)	Oct 2008	10	4.68	2,631	472	2,159
Esplanade Laurier, Ottawa	Oct 2000	10	6.90	19,313	322	18,991
Federal Court, Montreal	Feb 1994	20	21.53	6,558	2,119	4,439
Fontaine Building, Gatineau	Jan 2008	15	5.82	42,241	12,477	29,764
Fraser Building, Ottawa	Jan 2010	10	3.24	4,504	652	3,852
Galeries Laurentides, Saint-Jérôme	June 2007	10	15.13	1,765	691	1,074
Glencoe Building, Mount Pearl	Dec 2007	10	10.74	3,014	966	2,048
Guy Favreau Complex, Montreal	Jan 2004	15	5.84	89,635	24,794	64,841
Hamilton Centre, Regina	June 2002	10	15.88	1,771	281	1,490
Harry Hays Building, Calgary	Oct 2007	25	4.44	408,571	159,778	248,793
Heritage Court, Moncton	July 2002	10	11.36	1,608	195	1,413
Historic Properties, Halifax	Jan 2006	10	8.18	2,354	481	1,873
I.C.A.O., Montreal	Nov 1996	20	9.94	96,895	30,923	65,972
Iberville IV Tower, Sainte-Foy	April 2005	10	4.68	885	97	788
Jean Edmonds Tower North, Ottawa	Jan 2005	10	4.53	43,077	4,385	38,692
Joe Tobie Building, Yellowknife	April 2008	5	3.08	922	42	880
Joseph Shepard Building, Toronto	Oct 2007	25	4.44	282,474	110,477	171,997
Judicial Complex, Toronto	April 2006	20	11.40	91,987	52,584	39,403
Judy Lamarsh, Chatham (GOCB)[2]	June 1995	25				
Kent Square Building, Ottawa (previously 255 Albert Street, Ottawa)	Oct 2007	10	4.52	4,819	738	4,081
Laurier Place, Ottawa	May 2009	10	5.51	4,089	878	3,211
Library Square (Block 56), Vancouver	May 1995	25	9.68	67,225	24,400	42,825
Lionel Chevrier Building, Cornwall (previously Government of Canada Building, Cornwall)	Dec 2004	15	6.07	7,649	1,874	5,775
Louis St-Laurent, Gatineau	Nov 2001	15	6.38	54,656	12,086	42,570
Maritime Centre, Halifax (Lease 1 of 3)	Oct 2006	10	10.41	1,343	370	973
Maritime Centre, Halifax (Lease 2 of 3)	Dec 2010	15	6.26	23,285	8,250	15,035

TABLE 6.15

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Continued*

(in thousands of dollars)

				Balances at March 31, 2010		
	Inception date	Lease term in years	Implicit interest rate (%) [1]	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Maritime Centre, Halifax (Lease 3 of 3)	Dec 2010	15	5.78	2,417	807	1,610
Megasys Phase II, Calgary	Feb 2008	10	5.62	7,121	1,372	5,749
Mercury Centre, Ottawa	Jan 2007	25	4.50	141,402	51,354	90,048
Midwest Surveys Building, Calgary	April 2007	10	17.88	4,673	2,018	2,655
Montcalm Place, Phase III, Gatineau	Dec 2003	15	8.65	35,269	10,513	24,756
Narono Building, Ottawa	Feb 2008	10	6.54	3,541	796	2,745
Nova Plaza, Yellowknife	April 2009	10	6.00	3,934	900	3,034
Parks Canada Building, Dartmouth	July 2009	20	7.61	5,219	2,482	2,737
Pickering Building Towers A & B, Ottawa	Dec 2006	5	18.34	2,341	337	2,004
Purdy's Wharf Tower II, Halifax	Oct 2003	8	4.48	893	31	862
Queensway Corporate Campus, Phase II, Ottawa	April 2002	9	16.90	917	79	838
RCMP Building, Montreal	Oct 2007	25	4.44	70,738	27,776	42,962
Revenu Canada, Montreal	Oct 2007	25	4.44	144,386	56,495	87,891
Roper Ridge Business Park, Edmonton (previously 5605 70th Street, Edmonton)	Nov 2008	10	6.43	7,506	1,789	5,717
Rosdev de Ville, Gatineau	June 2007	10	4.58	26,499	3,946	22,553
Royal Bank Building, Toronto	May 2002	10	12.50	10,913	1,349	9,564
Royal Centre, New Westminster (previously 620 Royal Avenue, New Westminster)	Nov 2008	10	11.22	2,491	896	1,595
Sir Wilfrid Laurier, Ottawa	March 2001	10	10.37	3,468	173	3,295
Sixty Queen Building, Ottawa (Lease 1 of 2) (previously 60 Queen Street, Ottawa)	July 2008	10	3.94	2,396	340	2,056
Sixty Queen Building, Ottawa (Lease 2 of 2)	May 2009	9	0.32	6,859	87	6,772
Sixty-Six Slater Building, Ottawa	April 2009	10	4.95	5,509	1,071	4,438
Skyline Complex, Ottawa	Oct 2007	25	4.44	319,053	124,999	194,054
Smith Building, St. John's	July 2009	10	7.08	4,352	1,165	3,187
Terrasses de la Chaudière, Gatineau	Jan 1993	20	9.95	102,912	21,650	81,262
The Baker Center Building, Edmonton	Dec 2007	10	4.45	1,403	216	1,187
The Inuksugait Plaza, Iqaluit	Oct 2006	10	14.28	1,428	501	927
The New Two Seventy Building, Ottawa	June 2007	10	4.58	8,255	1,243	7,012
The Standard Life Centre, Hamilton	Dec 2007	5	11.15	1,919	266	1,653
Thomas D'Arcy McGee, Ottawa	Oct 2007	25	4.44	249,365	97,450	151,915
Trebla Building, Ottawa (Lease 1 of 2)	April 2009	10	9.46	9,822	3,227	6,595
Trebla Building, Ottawa (Lease 2 of 2)	April 2009	10	2.73	1,037	119	918
Trusco Building, Ottawa	Sept 2006	20	4.28	114,038	32,222	81,816
Urbandale Building, Ottawa	June 2002	10	4.40	1,145	55	1,090
VAC Records Management Centre, Charlottetown	Nov 2007	15	13.43	4,150	2,152	1,998
Vanquard Building, Ottawa	Nov 2007	10	4.80	3,610	589	3,021
Vault Building, Lethbridge	April 2008	10	6.18	1,611	342	1,269
Vincent Massey Place, Gatineau	Aug 2001	10	6.21	2,937	125	2,812
Waldron Building, Yellowknife	Aug 2007	10	12.22	1,865	637	1,228
Wellington Place, Sherbrooke	Feb 2005	8	6.30	811	70	741
Woodward's Abbott Building, Vancouver	Jan 2010	15	5.35	6,779	2,127	4,652
Other capital leases less than $1,000,000				82,298	26,636	55,662
				3,616,314	*1,221,675*	*2,394,639*
Royal Canadian Mounted Police—						
RCMP Detachment, Cornwall	Aug 2009	25	5.54	27,982	12,659	15,323
Transport—						
Confederation Bridge	May 1997	35	6.16	1,437,457	815,144	622,313
Other departments—						
Capital leases less than $1,000,000				3,822	378	3,444
				6,029,886	2,289,677	3,740,209

TABLE 6.15

DETAILS OF OBLIGATION RELATED TO CAPITAL LEASES—*Concluded*

(in thousands of dollars)

				Balances at March 31, 2010		
	Inception date	Lease term in years	Implicit interest rate (%) [1]	Total estimated remaining minimum lease payments	Less: imputed interest using the implicit interest rate	Net obligations under capital lease arrangements
Consolidated Crown corporations and other entities—						
Canadian Broadcasting Corporation—						
Canadian Broadcasting Centre, Toronto, Ont	May 1997	30	7.53	578,179	259,767	318,412
Canadian Museum of Nature—						
Natural Heritage Building, Gatineau, Que	Sept 1996	35	9.88	75,250	44,208	31,042
Canadian Race Relations Foundation—						
Capital leases less than $1,000,000				12	1	11
Sustainable Development Technology Canada—						
Capital leases less than $1,000,000				61	3	58
				653,502	303,979	349,523
Total				6,683,388	2,593,656	4,089,732

(1) For lessors and lessees, the financing rate of a lease agreement is subject to change over the term of lease.
(2) This contract has been revised and is now recognized as an operating lease.

Maturity of obligation related to capital leases

Table 6.16 presents upcoming minimum leases payments for the next five years by ministry.

TABLE 6.16

MATURITY OF OBLIGATION RELATED TO CAPITAL LEASES

(in thousands of dollars)

	Payments due in						
	2011	2012	2013	2014	2015	2016 and subsequent years	Total
Canada Revenue Agency—							
Remaining payments	6,109	6,109	3,054				15,272
Imputed interest	339	176	24				539
	5,770	*5,933*	*3,030*				*14,733*
Environment—							
Remaining payments	8,664	8,051	1,300	1,300	1,300	15,600	36,215
Imputed interest	1,649	1,017	728	696	662	4,477	9,229
	7,015	*7,034*	*572*	*604*	*638*	*11,123*	*26,986*
National Defence—							
Remaining payments	114,079	84,648	82,587	82,531	82,468	444,657	890,970
Imputed interest	36,287	33,410	30,442	27,368	24,115	78,324	229,946
	77,792	*51,238*	*52,145*	*55,163*	*58,353*	*366,333*	*661,024*
National Film Board—							
Remaining payments	906	599	279	70			1,854
Imputed interest	75	27	5				107
	831	*572*	*274*	*70*			*1,747*
Public Works and Government Services—							
Remaining payments	303,242	275,029	258,564	283,810	213,249	2,282,420	3,616,314
Imputed interest	136,658	125,429	114,822	100,743	91,506	652,517	1,221,675
	166,584	*149,600*	*143,742*	*183,067*	*121,743*	*1,629,903*	*2,394,639*
Royal Canadian Mounted Police—							
Remaining payments	1,146	1,146	1,146	1,146	1,146	22,252	27,982
Imputed interest	841	824	805	786	766	8,637	12,659
	305	*322*	*341*	*360*	*380*	*13,615*	*15,323*

TABLE 6.16

MATURITY OF OBLIGATION RELATED TO CAPITAL LEASES—*Concluded*

(in thousands of dollars)

	Payments due in						
	2011	2012	2013	2014	2015	2016 and subsequent years	Total
Transport—							
Remaining payments	57,721	55,807	56,650	57,506	58,375	1,151,398	1,437,457
Imputed interest	40,879	38,198	38,240	38,257	38,250	621,320	815,144
	16,842	*17,609*	*18,410*	*19,249*	*20,125*	*530,078*	*622,313*
Other departments—							
Capital leases less than $1,000,000—							
Remaining payments	1,626	1,063	695	350	88		3,822
Imputed interest	185	114	55	21	3		378
	1,441	*949*	*640*	*329*	*85*		*3,444*
	276,580	233,257	219,154	258,842	201,324	2,551,052	3,740,209
Consolidated Crown corporations and other entities—							
Canadian Broadcasting Corporation—							
Remaining payments	33,039	33,039	33,039	33,039	33,039	412,984	578,179
Imputed interest	23,806	23,098	22,335	21,514	20,663	148,351	259,767
	9,233	*9,941*	*10,704*	*11,525*	*12,376*	*264,633*	*318,412*
Canadian Museum of Nature—							
Remaining payments	3,500	3,500	3,500	3,500	3,500	57,750	75,250
Imputed interest	3,062	3,017	2,967	2,912	2,852	29,398	44,208
	438	*483*	*533*	*588*	*648*	*28,352*	*31,042*
Canadian Race Relations Foundation—							
Remaining payments	2	3	2	3	2		12
Imputed interest	1						1
	1	*3*	*2*	*3*	*2*		*11*
Sustainable Development Technology Canada—							
Remaining payments	17	14	14	13	3		61
Imputed interest	1	1	1				3
	16	*13*	*13*	*13*	*3*		*58*
	9,688	10,440	11,252	12,129	13,029	292,985	349,523
Total	286,268	243,697	230,406	270,971	214,353	2,844,037	4,089,732
Summary—							
Remaining payments	530,052	469,008	440,830	463,268	393,169	4,387,061	6,683,388
Imputed interest	243,783	225,311	210,425	192,297	178,817	1,543,023	2,593,656
Net obligation	286,269	243,697	230,405	270,971	214,352	2,844,038	4,089,732

PENSION AND OTHER FUTURE BENEFITS

Pension and other future benefits include liabilities for public sector pensions and other employee and veteran future benefits established under the authority of section 64 of the *Financial Administration Act*.

Public Sector Pensions

The Government sponsors defined benefit pension plans covering substantially all its employees, principally members of the Public Service, the Canadian Forces, including the Reserve Force and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The liability for public sector pensions represents the Government's obligations for the major pension plans it sponsors. It is recorded through superannuation accounts, which are generally established pursuant to legislation, and through adjustment allowance accounts. The allowance accounts are used to record: the accumulated amortization of any shortfall or excess between the liability for public sector pensions determined on an actuarial basis for accounting purposes and the balances of the superannuation accounts, the accumulated differential between interest credited to the superannuation accounts and interest based on the actuarial obligations, and any other accounting adjustment required under the Government accounting policies.

The legislation requires that all pension obligations arising from these plans be met. Prior to April 1, 2000, separate market invested funds were not maintained. Since April 1, 2000, the net amount of contributions less benefits and payments related to the Public Service, Canadian Forces and Royal Canadian Mounted Police pension plans, and since March 1, 2007 for the Reserve Force Pension Plan, are transferred to the Public Sector Pension Investment Board (PSP Investments) for investment in capital markets. The goal of PSP Investments is to achieve maximum rates of return on investments without undue risk, while respecting the requirements and financial obligations of each of the public sector pension plans. PSP Investments reports the results of the investments in an annual report tabled in Parliament.

Additional information on the above mentioned plans can be found in the annual reports of the administration of the plans that are tabled in Parliament.

i. Pension plans

Public Service Pension Plan, Canadian Forces Pension Plan including the Reserve Force Pension Plan and Royal Canadian Mounted Police Pension Plan

Under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, basic pensions for the plans are generally based on the best five consecutive years' average earnings and accrue at two percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Basic pension benefits are coordinated with benefits under the Canada/Quebec Pension Plans. Pension benefits are indexed annually on January 1 to the cost of living.

In 2010, plan members' contributions were 5.2 percent (4.9 percent in 2009) for the first nine months and 5.5 percent (5.2 percent in 2009) for the last three months on salary up to the Yearly Maximum Pensionable Earnings (YMPE) for Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) purposes and 8.4 percent (8.4 percent in 2009) on salary above the YMPE.

Employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. For 2010, the employer contribution rates averaged about 1.9, 2.6 and 2.2 (2.0, 2.8 and 2.2 respectively in 2009) times the current year's employee contribution for the plans under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

Since April 1, 2000, new contributions made to these pension plans by both plan members and by the Government as the employer are credited to pension fund accounts. The net amount of these contributions less benefits and payments related to post March 2000 service is invested in capital markets by PSP Investments.

The superannuation accounts, which continue to record the transactions that pertain to pre April 1, 2000 service, are credited with interest at rates that are based on the Government of Canada long-term bond rate. The average interest rate credited to the accounts was about 6.7 percent in 2010 (7.0 percent in 2009). The pension fund accounts, which record the transactions that pertain to service since April 1, 2000, are only flow through accounts used to transfer funds to PSP Investments, and as such they do not earn interest. The balance in these accounts at year-end corresponds to money that was in transit or pending transfer to PSP Investments.

To reflect *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions to allow various federal service superannuation plans to adapt to the tax restrictions. These include Retirement Compensation Arrangements Accounts established under the *Special Retirement Arrangements Act* (SRAA), to record transactions for those pension benefits above the limits, or not permitted under the *Income Tax Act*.

Members of Parliament retiring allowances

Members of Parliament are eligible at age 55 to receive a basic allowance upon termination of membership and after having contributed to the plan for at least six years. The basic allowance is based on the best five years average sessional indemnity and accrues at a rate of three percent of those average indemnities for both Members of the House of Commons and for Senators. Basic allowances are indexed annually on January 1 to the cost of living once recipients reach age 60.

Members' contributions for these benefits are generally 7 percent for Members of the House of Commons and for Senators. The Government contributions are made monthly to provide for the cost (net of Members' contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are on average as follows:

	2010	2009
Members of Parliament—		
House of Commons—		
Retiring allowances account	3.9	3.7
Compensation arrangements account	7.3	7.4
The Senate—		
Retiring allowances account	3.5	3.5
Compensation arrangements account	4.6	4.8

Contributions are credited to the appropriate pension accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

Pension plan for federally appointed judges

This plan provides fully indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan does not have an explicit accrual rate for benefits. Instead, the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the sum of the member's age and years of service totals 80.

Judges appointed to the bench before February 17, 1975, make required contributions of 1.5 percent of salary. All other judges contribute 7 percent of salary. Legislation does not require a specific pension account to be maintained to record the transactions pertaining to this plan. Therefore, except for the portion recorded in the Supplementary Retirement Benefit Account, the liability pertaining to this plan is recorded mostly through an allowance account. During the year, benefits paid are recorded as expenditures against the statutory payment authority. The expense is adjusted at year-end through an allowance account, to bring the current year expense from an expenditure to an accrual accounting basis, similar to that of the other pension plans. During the year, the benefit payments charged to the expenditure authority amounted to $104 million ($96 million in 2009). At March 31, 2010, the portion of the pension liability recorded through an allowance account for the judges' pension plan amounted to $1,786 million ($1,687 million in 2009).

ii. Actuarial valuations

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially for funding purposes on the major pension plans using the projected benefit method pro-rated on services.

The most recent date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 2008;

Canadian Forces—March 31, 2008;

Royal Canadian Mounted Police—March 31, 2008;

Members of Parliament—March 31, 2007;

Federally appointed judges—March 31, 2007.

Actuarial valuations for the Retirement Compensation Arrangements (RCA) related to the Public Service, Canadian Forces, Royal Canadian Mounted Police and Members of Parliament pension plans were done as part of the valuation of the related plan.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency identified be credited to the appropriate account or fund in equal instalments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. During the year, credit adjustments of nil, $6.2 million, and $0.6 million ($22 million, $9.5 million, and $0.6 million in 2009) were made to the Canadian Forces Pension Fund, the Retirement Compensation Arrangements Account No. 2 and the Members of Parliament Retirement Compensation Arrangements Account, respectively as a result of their last actuarial valuation.

A comparable provision gives authority to deal with excesses in the superannuation accounts by debiting the appropriate account over a period of up to fifteen years. Any future surpluses identified in the Pension Funds may be dealt with by a reduction of Government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the last actuarial valuations, no debit adjustment was made during the year (nil in 2009).

Table 6.17 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the pension accounts consist of contributions from plan members, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments, refunds of refundable tax and interest. Payments and other charges for the pension accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, pension division payments, transfer value payments, transfers to other plans, remittances of refundable tax, payment of administrative expenses, debits resulting from triennial actuarial reviews, and transfers to PSP Investments. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes, between the interest based on the actuarial obligations and interest credited to the pension accounts, and from any other accounting adjustment required under the Government accounting policies.

TABLE 6.17

PUBLIC SECTOR PENSIONS

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Public Service Superannuation Account, Table 6.19	93,054,796,451	6,219,326,854	4,705,330,137	94,568,793,168
Allowance for pension adjustments	(10,600,000,000)	353,000,000	506,000,000	(10,753,000,000)
	82,454,796,451	*6,572,326,854*	*5,211,330,137*	*83,815,793,168*
Public Service Pension Fund Account, Table 6.20	179,618,666	4,372,273,585	4,292,331,664	259,560,587
Allowance for pension adjustments	352,000,000	782,000,000	307,000,000	827,000,000
	531,618,666	*5,154,273,585*	*4,599,331,664*	*1,086,560,587*
Canadian Forces Superannuation Account, Table 6.21	44,881,569,952	2,982,833,821	2,374,254,365	45,490,149,408
Allowance for pension adjustments	(5,108,000,000)	34,000,000	337,000,000	(5,411,000,000)
	39,773,569,952	*3,016,833,821*	*2,711,254,365*	*40,079,149,408*
Canadian Forces Pension Fund Account, Table 6.22	59,292,472	1,045,587,613	1,066,834,651	38,045,434
Allowance for pension adjustments	277,000,000	166,000,000	89,000,000	354,000,000
	336,292,472	*1,211,587,613*	*1,155,834,651*	*392,045,434*
Reserve Force Pension Fund Account, Table 6.23	6,077,630	95,670,595	97,432,249	4,315,976
Allowance for pension adjustments	199,000,000	9,000,000	8,000,000	200,000,000
	205,077,630	*104,670,595*	*105,432,249*	*204,315,976*
Royal Canadian Mounted Police Superannuation Account, Table 6.24	12,306,592,642	818,423,177	529,498,739	12,595,517,080
Allowance for pension adjustments	(1,372,000,000)	48,000,000	60,000,000	(1,384,000,000)
	10,934,592,642	*866,423,177*	*589,498,739*	*11,211,517,080*
Royal Canadian Mounted Police Pension Fund Account, Table 6.25	11,698,838	376,665,396	375,160,197	13,204,037
Allowance for pension adjustments	13,000,000	73,000,000		86,000,000
	24,698,838	*449,665,396*	*375,160,197*	*99,204,037*
Members of Parliament Retiring Allowances Account, Table 6.26	562,661,375	66,501,728	22,448,720	606,714,383
Allowance for pension adjustments	(169,000,000)	2,000,000	31,000,000	(198,000,000)
	393,661,375	*68,501,728*	*53,448,720*	*408,714,383*
Members of Parliament Retirement Compensation Arrangements Account, Table 6.27	181,228,970	40,655,282	24,420,757	197,463,495
Allowance for pension adjustments	155,000,000	17,000,000	10,000,000	162,000,000
	336,228,970	*57,655,282*	*34,420,757*	*359,463,495*
Retirement Compensation Arrangements (RCA) Account, Table 6.28	1,754,308,551	292,806,135	199,374,813	1,847,739,873
Allowance for pension adjustments	1,327,000,000	126,000,000	60,000,000	1,393,000,000
	3,081,308,551	*418,806,135*	*259,374,813*	*3,240,739,873*
Supplementary Retirement Benefits Account (Judges), Table 6.29	149,337,519	9,404,369		158,741,888
Allowance for pension adjustments	1,687,000,000	99,000,000		1,786,000,000
	1,836,337,519	*108,404,369*		*1,944,741,888*
Supplementary Retirement Benefits Account (Others), Table 6.29	519,547	50,747	25,553	544,741
Total	139,908,702,613	18,029,199,302	15,095,111,845	142,842,790,070
SUMMARY—				
Superannuation accounts	153,147,702,613	16,320,199,302	13,687,111,845	155,780,790,070
Allowance for pension adjustments	(13,239,000,000)	1,709,000,000	1,408,000,000	(12,938,000,000)
Total	139,908,702,613	18,029,199,302	15,095,111,845	142,842,790,070

Table 6.18 presents a summary of transactions in public sector pensions that resulted in charges to expenses. Interest is based on the actuarial obligations under the various plans. The pension interest expenses represent the interest credited to the superannuation accounts in accordance with the pension legislation, shown net of a provision of $1,726 million ($1,503 million in 2009) and of $2,101 million ($2,413 million in 2009) in expected return on pension plan assets.

TABLE 6.18

SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENSES

(in millions of dollars)

	2009-2010										
	Government contributions	Statutory payments	Current service cost adjustments	Net current service costs	Funding of actuarial liability adjustment	Pension Plan amendment costs	Amortization of estimation adjustments	Net pension expenses	Net pension interest expenses	Total	2008-2009
Public Service Superannuation Account[1]	26		(59)	(33)			353	320	5,711	6,031	5,967
Public Service Pension Fund Account	2,569		(307)	2,262			450	2,712	332	3,044	2,378
Canadian Forces Superannuation Account	3		(7)	(4)			34	30	2,644	2,674	2,807
Canadian Forces Pension Fund Account	760		(89)	671			94	765	72	837	712
Reserve Force Pension Fund Account	68			68			(8)	60	9	69	84
Defence Services Pension Continuation Act		6		6				6		6	7
Royal Canadian Mounted Police Superannuation Account	1		(2)	(1)			48	47	759	806	747
Royal Canadian Mounted Police Pension Fund Account	256			256			41	297	32	329	220
Royal Canadian Mounted Police Continuation Act		18		18				18		18	19
Members of Parliament Retiring Allowances Account	7			7			2	9	27	36	32
Members of Parliament Retirement Compensation Arrangements Account	18		(1)	17	1		1	19	12	31	26
Retirement Compensation Arrangements (RCA) Account	132		(25)	107	6		16	129	110	239	185
Supplementary Retirement Benefits Account	3			3				3		3	3
Judges Act		104	1	105			33	138	69	207	216
Other (diplomatic services, lieutenant governors, etc.)		2		2				2		2	2
Subtotal	3,843	130	(489)	3,484	7		1,064	4,555	9,777	14,332	13,405
Less: costs already recorded in the allowance for pension adjustments of previous years					(7)			(7)		(7)	(32)
Less: contributions from the Judges plan recorded to revenues		(13)		(13)				(13)		(13)	(13)
Total	3,843	117	(489)	3,471			1,064	4,535	9,777	14,312	13,360

(1) Includes payments under *Supplementary Retirement Benefits Act* and various acts.

Public Service Superannuation Account

This account, established by the *Public Service Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Public Service members up to March 31, 2000.

Public Service Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Public Service Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.19

PUBLIC SERVICE SUPERANNUATION ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	93,054,796,451	91,278,938,950
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	6,941,893	7,988,761
Retired employees	25,294,035	27,729,494
Public Service corporations employees	371,083	447,930
Employer contributions—		
Government	25,776,126	28,519,554
Public Service corporations	334,369	336,904
Transfers from other pension funds	883,897	(102)
Interest	6,159,725,451	6,283,094,996
	6,219,326,854	6,348,117,537
	99,274,123,305	97,627,056,487
PAYMENTS AND OTHER CHARGES—		
Annuities	4,530,362,947	4,360,981,692
Minimum benefits	12,261,638	12,949,137
Pension division payments	27,948,347	30,758,759
Pension transfer value payments	26,187,931	44,154,692
Returns of contributions—		
Government employees	22,013	114,972
Public Service corporation employees	19,577	(3,346)
Transfers to other pension funds	14,274,266	35,705,788
Administrative expenses	94,253,418	87,598,342
Actuarial liability adjustment		
	4,705,330,137	4,572,260,036
Closing balance	94,568,793,168	93,054,796,451

TABLE 6.20

PUBLIC SERVICE PENSION FUND ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	179,618,666	133,384,975
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	1,358,836,378	1,121,981,293
Retired employees	23,708,690	21,699,670
Public Service corporations employees	106,450,252	107,011,659
Employer contributions—		
Government	2,569,573,674	2,222,087,153
Public Service corporations	204,463,648	202,916,158
Actuarial liability adjustment		
Transfers from other pension funds	109,240,943	50,374,211
	4,372,273,585	3,726,070,144
PAYMENTS AND OTHER CHARGES—		
Annuities	441,050,660	333,397,692
Minimum benefits	6,308,145	5,195,074
Pension division payments	9,676,503	8,763,669
Pension transfer value payments	61,413,313	89,767,656
Returns of contributions—		
Government employees	8,738,385	7,171,135
Public Service corporation employees	1,900,298	2,580,753
Transfers to other pension funds	21,729,870	26,863,211
Administrative expenses	34,684,226	27,921,033
	585,501,400	501,660,223
Receipts and other credits less payments and other charges	3,786,772,185	3,224,409,921
Transfers to Pension Investment Board	3,706,830,264	3,178,176,230
Closing balance	259,560,587	179,618,666

Canadian Forces Superannuation Account

This account, established by the *Canadian Forces Superannuation Act*, is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Canadian Forces members up to March 31, 2000.

TABLE 6.21

CANADIAN FORCES SUPERANNUATION ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	44,881,569,952	44,152,653,600
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	3,255,207	3,366,759
Contributions by the Government	3,255,207	3,367,275
Interest	2,974,368,763	3,038,308,401
Other	1,954,644	2,454,281
	2,982,833,821	3,047,496,716
	47,864,403,773	47,200,150,316
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	2,319,730,584	2,267,599,233
Pension division payments	34,703,468	32,607,204
Cash termination allowances and returns of contributions	554,089	630,835
Transfers to Public Service Superannuation Account	881,947	387,917
Administrative expenses	15,035,661	12,313,919
Pension transfer value payments	3,348,616	5,041,256
Actuarial liability adjustment		
	2,374,254,365	2,318,580,364
Closing balance	45,490,149,408	44,881,569,952

Canadian Forces Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under Part I of the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Sector Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.22

CANADIAN FORCES PENSION FUND ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	59,292,472	71,693,331
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	285,757,510	261,156,683
Contributions by the Government	759,760,350	731,164,328
Transfers from other pension funds	69,753	225,786
Actuarial liability adjustment		21,700,000
	1,045,587,613	1,014,246,797
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	158,235,952	120,429,208
Pension division payments	13,464,999	10,186,698
Cash termination allowances and returns of contributions	4,298,365	11,259,192
Transfers to Public Service Superannuation Account	658,230	330,746
Administrative expenses	4,491,171	3,040,095
Pension transfer value payments	19,237,188	28,243,382
	200,385,905	173,489,321
Receipts and other credits less payments and other charges	845,201,708	840,757,476
Transfers to Pension Investment Board	866,448,746	853,158,335
Closing balance	38,045,434	59,292,472

Reserve Force Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after March 1, 2007 in accordance with Part 1.1 of the *Canadian Forces Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Sector Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.23

RESERVE FORCE PENSION FUND ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	6,077,630	9,219,140
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	28,034,415	23,748,780
Contributions by the Government	67,636,180	64,343,071
	95,670,595	88,091,851
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	993,863	229,204
Cash termination allowances and returns of contributions	181,551	44,634
Administrative expenses	5,328,119	4,506,236
Pension transfer value payments	6,692,847	940,668
	13,196,380	5,720,742
Receipts and other credits less payments and other charges	82,474,215	82,371,109
Transfers to Pension Investment Board	84,235,869	85,512,619
Closing balance	4,315,976	6,077,630

Royal Canadian Mounted Police Superannuation Account

This account, established by the *Royal Canadian Mounted Police Superannuation Act* is used to record all transactions (contributions, benefit payments, transfers and interest credits) in respect of service accrued by Royal Canadian Mounted Police members up to March 31, 2000.

TABLE 6.24

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	12,306,592,642	11,989,179,669
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	865,248	922,134
Contributions by the Government	848,434	889,328
Transfers from other pension funds		
Interest	816,709,495	827,331,011
	818,423,177	829,142,473
	13,125,015,819	12,818,322,142
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	513,027,222	489,924,289
Pension division payments	7,918,547	10,611,187
Returns of contributions	2,150	116
Cash termination allowance and gratuities	11,086	
Commuted value payments	1,816,176	3,053,328
Transfers to other pension funds	220,681	99,649
Interest on returns of contributions	2,107	
Administrative expenses	6,500,770	8,040,931
Actuarial liability adjustment		
	529,498,739	511,729,500
Closing balance	12,595,517,080	12,306,592,642

Royal Canadian Mounted Police Pension Fund Account

This account is used to record the transactions in respect of service accrued on or after April 1, 2000 under the *Royal Canadian Mounted Police Superannuation Act*. The contributions, net of benefits and other payments, are transferred to the Public Service Pension Investment Board (PSP Investments) to be invested in financial markets. The closing balance in this account represents amounts in transit or pending transfer to PSP Investments.

TABLE 6.25

ROYAL CANADIAN MOUNTED POLICE PENSION FUND ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	11,698,838	11,186,955
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	119,012,892	109,897,405
Contributions by the Government	255,926,319	245,189,558
Transfers from other pension funds	1,726,185	3,889,001
	376,665,396	358,975,964
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	42,861,173	34,899,605
Minimum benefits	66,464	
Pension division payments	2,805,547	2,399,360
Returns of contributions	129,550	150,643
Cash termination allowance and gratuities		
Commuted value payments	4,915,742	4,106,913
Transfers to other pension funds	535,590	358,422
Interest on returns of contributions	8,964	15,413
Administrative expenses	2,110,662	2,261,585
	53,433,692	44,191,941
Receipts and other credits less payments and other charges	323,231,704	314,784,023
Transfers to Pension Investment Board	321,726,505	314,272,140
Closing balance	13,204,037	11,698,838

Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.26

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	562,661,375	523,098,300
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	1,777,504	1,654,696
Arrears of principal, interest and mortality insurance	43,731	35,485
Government contributions—		
Current	6,800,618	6,065,645
Interest	57,879,875	53,771,144
	66,501,728	61,526,970
	629,163,103	584,625,270
PAYMENTS AND OTHER CHARGES—		
Annual allowances	22,448,720	21,404,062
Withdrawal allowances		356,330
Interest on withdrawals		10,483
Pension division payments		193,020
Transfers to other pension funds		
	22,448,720	21,963,895
Closing balance	606,714,383	562,661,375

Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

TABLE 6.27

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	181,228,970	165,999,787
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	2,681,546	2,611,407
Arrears of principal, interest and mortality insurance	29,427	32,820
Government contributions—		
Current	18,071,572	17,921,071
Interest	19,272,737	17,734,300
Actuarial liability adjustment	600,000	600,000
	40,655,282	38,899,598
	221,884,252	204,899,385
PAYMENTS AND OTHER CHARGES—		
Annual allowances	8,697,147	7,431,275
Refundable tax remitted to Canada Revenue Agency	15,693,048	15,438,016
Withdrawals	29,158	584,741
Interest on withdrawals	1,404	19,867
Pension division payments		196,516
	24,420,757	23,670,415
Closing balance	197,463,495	181,228,970

Retirement Compensation Arrangements (RCA) Account

The RCA was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements.

The RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 pays benefits to Public Service employees who were between age 50 and 54 and declared surplus as part of a three year Government downsizing initiative which ended on March 31, 1998. It pays the difference between an unreduced pension and the reduced pension for early retirement payable from the Public Service Superannuation Account. The RCA No.2 was created April 1, 1995 and is funded entirely by the Government.

TABLE 6.28

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
	$	$	$	$	$	$	$	$	$	$
Opening balance	701,293,471	643,763,221	216,750,935	183,020,932	26,020,377	23,716,847	810,243,768	818,932,811	1,754,308,551	1,669,433,811
RECEIPTS AND OTHER CREDITS										
Contributions										
Government employees	9,185,855	7,853,922	2,510,265	2,390,119	205,754	366,398			11,901,874	10,610,439
Retired employees	298,634	215,688							298,634	215,688
Public Service corporation employees	1,374,869	1,521,120							1,374,869	1,521,120
Employer contributions										
Government	69,466,421	57,847,179	61,790,926	54,764,286	1,813,012	2,914,776			133,070,359	115,526,241
Public Service corporations	10,412,725	10,573,680							10,412,725	10,573,680
Transfers from other pension funds	2,254	5,242							2,254	5,242
Refundable tax							9,733,092	7,714,836	9,733,092	7,714,836
Interest	49,218,888	47,060,117	16,197,106	14,246,848	1,801,845	1,747,333	52,594,489	55,324,922	119,812,328	118,379,220
Actuarial liability adjustment							6,200,000	9,500,000	6,200,000	9,500,000
	139,959,646	125,076,948	80,498,297	71,401,253	3,820,611	5,028,507	68,527,581	72,539,758	292,806,135	274,046,466
	841,253,117	768,840,169	297,249,232	254,422,185	29,840,988	28,745,354	878,771,349	891,472,569	2,047,114,686	1,943,480,277
PAYMENTS AND OTHER CHARGES										
Annuities	13,512,882	11,311,168	2,026,427	1,619,696	425,712	403,234	82,188,537	81,228,801	98,153,558	94,562,899
Minimum benefits	4,816	149,858							4,816	149,858
Pension division	238,432	800,968	113,972			6,030			352,404	806,998
Transfer value and interest	564,683	489,657	233,728	217,604					798,411	707,261
Returns of contributions										
Government employees	17,676	27,674		12,300	699				18,375	39,974
Public Service corporation employees	1,784	1,318							1,784	1,318
Transfers	331,932	1,772,445	15,210			4,511			347,142	1,776,956
Refundable tax	58,889,812	52,993,610	39,065,451	35,821,650	1,743,060	2,311,202			99,698,323	91,126,462
	73,562,017	67,546,698	41,454,788	37,671,250	2,169,471	2,724,977	82,188,537	81,228,801	199,374,813	189,171,726
Closing balance	767,691,100	701,293,471	255,794,444	216,750,935	27,671,517	26,020,377	796,582,812	810,243,768	1,847,739,873	1,754,308,551

Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

TABLE 6.29

SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Judges		Others (1)		Total	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
	$	$	$	$	$	$
Opening balance	149,337,519	139,583,572	519,547	492,126	149,857,066	140,075,698
RECEIPTS AND OTHER CREDITS—						
Employee contributions—						
Government	2,907,209	2,794,108	18,980	16,578	2,926,189	2,810,686
Matching contributions—						
Government	2,907,209	2,794,108	19,239	16,411	2,926,448	2,810,519
Interest	3,589,951	4,165,731	12,528	14,668	3,602,479	4,180,399
	9,404,369	9,753,947	50,747	47,657	9,455,116	9,801,604
	158,741,888	149,337,519	570,294	539,783	159,312,182	149,877,302
PAYMENTS AND OTHER CHARGES—						
Annuities			25,553	20,236	25,553	20,236
Returns of contributions						
			25,553	20,236	25,553	20,236
Closing balance	158,741,888	149,337,519	544,741	519,547	159,286,629	149,857,066

(1) Includes lieutenant governors and non-career diplomats.

Allowance for Pension Adjustments

This account records the accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of $1,064 million in net losses ($315 million in net losses in 2009) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and increased pension costs for the year.

An amount of $7 million ($32 million in 2009) was recorded in this account during the year to offset pension costs charged to expenses in previous years but recorded in the accounts in the year.

An amount of $489 million was debited ($63 million credited in 2009) to this account and decreased (increased in 2009) pension costs to adjust for the difference between the Government contributions and the net cost of current services.

An amount of $1,726 million was credited to this account ($1,503 million in 2009) to adjust for the difference between interest based on the actuarial obligations and interest credited to the superannuation accounts and an amount of $2,101 million ($2,413 million in 2009) was recorded in this account to record the expected return on the pension plan investments.

As well, a consolidation adjustment of $107 million ($99 million in 2009) was credited to this account and debited against personal tax revenues to eliminate the effect of internal transactions resulting from tax amounts debited to the RCA accounts that were previously recorded as tax revenues.

The unamortized estimation adjustment of $13,164 million in net losses ($12,590 million in 2009) will be amortized to this account and will affect expenses in future years.

As a result of annual actuarial valuations for accounting purposes, the net liability for public sector pensions was found to be $224 million higher ($648 million lower in 2009) than the balance of the superannuation accounts, plus the market related value of the assets invested in PSP Investments and the contributions receivable from employees for past service. This amount is made up of:

	Excess (shortfall) (in millions of dollars) 2010	2009
Public Service Pension Plan—		
Public Service Superannuation Account	7,504	6,453
Public Service Pension Fund	(6,266)	(5,892)
Retirement Compensation Arrangements	(1,519)	(1,337)
	(281)	(776)
Canadian Forces Pension Plan—		
Canadian Forces Superannuation Account	3,798	4,639
Canadian Forces Pension Fund	(1,811)	(1,271)
Reserve Force Pension Fund	(189)	(154)
Retirement Compensation Arrangements	(39)	(81)
	1,759	3,133
Royal Canadian Mounted Police Pension Plan—		
Royal Canadian Mounted Police Superannuation Account	965	845
Royal Canadian Mounted Police Pension Fund	(706)	(580)
Retirement Compensation Arrangements	(23)	(10)
	236	255
Members of Parliament Pension Plan—		
Members of Parliament Retiring Allowances	208	158
Retirement Compensation Arrangements	(155)	(159)
	53	(1)
Pension plan for federally appointed judges	(1,991)	(1,963)
Total	(224)	648

Other employee and veteran future benefits

The Government sponsors a variety of other future benefit plans from which employees and former employees (including military or Royal Canadian Mounted Police members), can benefit, during or after employment or upon retirement. Some are considered retirement benefits, whereby benefits are expected to be provided after retirement to employees and their beneficiaries or dependents. Others are considered post-employment benefits, whereby benefits are expected to be paid after employment but before retirement. Benefits for veterans are paid to war veterans, as well as to Canadian Forces retired veterans and Canadian Forces still-serving members. Benefits for members of the Royal Canadian Mounted Police are paid to both current and former members. These are primarily post-employment benefits, but some benefits are also paid during employment to still-serving members. They include disability and associated benefits paid to veterans or Royal Canadian Mounted Police members, or to their beneficiaries and dependants.

The other major future benefits include the Public Service Health Care Plan and the Pensioners' Dental Services Plan available to retired employees and retired military and Royal Canadian Mounted Police members and post-employment benefits such as workers' compensation benefits and severance benefits that accumulate. Table 6.30 presents the balance of these liabilities at year-end.

TABLE 6.30

OTHER EMPLOYEE AND VETERAN FUTURE BENEFITS

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Veterans' disability and other future benefits	29,602,000,000	3,816,000,000	2,993,000,000	30,425,000,000
Royal Canadian Mounted Police disability and other future benefits	1,825,000,000	508,000,000	89,000,000	2,244,000,000
Public Service Health Care Plan	11,259,000,000	2,416,000,000	385,000,000	13,290,000,000
Pensioners' Dental Services Plan	2,050,000,000	779,000,000	521,000,000	2,308,000,000
Severance and other benefits	4,876,000,000	849,000,000	464,000,000	5,261,000,000
Workers' compensation	699,000,000	114,000,000	114,000,000	699,000,000
Total	50,311,000,000	8,482,000,000	4,566,000,000	54,227,000,000

All of these plans are unfunded. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are contributory plans. Contributions by retired plan members are made to the plans only in the year the benefits are payable to retirees. Therefore the Government's liability and costs are shown net of members' contributions. The accrued benefit obligation related to these plans is determined actuarially for accounting purposes. As at March 31, the Government's recorded liability includes the following components:

(in millions of dollars)

	2010			2009
	Accrued benefit obligation	Unamortized estimation adjustments	Future benefit liability	Future benefit liability
Veterans' disability and other future benefits	40,090	(9,665)	30,425	29,602
Royal Canadian Mounted Police disability and other future benefits	3,599	(1,355)	2,244	1,825
Public Service Health Care Plan	18,573	(5,283)	13,290	11,259
Pensioners' Dental Services Plan	2,433	(125)	2,308	2,050
Severance and other benefits	5,941	(680)	5,261	4,876
Workers' compensation	755	(56)	699	699
Total	71,391	(17,164)	54,227	50,311

The cost of these benefits can accrue either during the service life of employees or upon occurrence of an event giving rise to the liability under the terms of the plans. An interest component is charged to interest on the public debt based on the average accrued benefit obligation.

In 2010, the extension of veteran benefits to eligible allied war veterans and an increase in the contribution rate for members of the Pensioners' Dental Services Plan resulted in a one-time estimated past service cost of $196 million for veteran future benefits and a one-time estimated past service cost reduction of $450 million for the Pensioners' Dental Services Plan. These amendments also resulted in the immediate recognition of unamortized estimation gains of $5 million related to veteran benefits and unamortized estimation losses of $450 million related to the Pensioners' Dental Services Plan.

In 2009, there were no amendments made to other employee and veteran future benefit plans that resulted in the recognition of one-time past service costs.

During the year, the expense relating to these benefits was as follows:

(in millions of dollars)

	2010						2009
	Benefits earned	Plan amendments	Amortization of estimation adjustments	Net benefit expense	Interest cost	Total	Total
Veterans' disability and other future benefits[1]	642	196	1,574	2,412	1,399	3,811	3,260
Royal Canadian Mounted Police disability and other future benefits	203		174	377	131	508	382
Public Service Health Care Plan	733		989	1,722	694	2,416	1,675
Pensioners' Dental Services Plan	108	(450)	562	220	109	329	232
Severance and other benefits	499		142	641	208	849	658
Workers' compensation	78		11	89	25	114	166
Total	2,263	(254)	3,452	5,461	2,566	8,027	6,373

[1] Benefits earned includes a one-time adjustment of $115 million related to the Funeral and Burial Program for veterans that was recorded in 2010 for the first time.

OTHER LIABILITIES

Other liabilities include general liabilities established under the authority of section 64 of the *Financial Administration Act*, as well as specified purpose accounts opened under the authority of section 21 of the *Financial Administration Act* or of other specific legislation. Specified purpose accounts are an accounting classification used to record transactions and expenditures in respect of money payable out of the Consolidated Revenue Fund under statutory authorities, pursuant to legislation, trusts, treaties, undertakings or contracts. Legislation relating to some of these accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

Canada Pension Plan

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from investment returns.

As administrator, the Government's authority to spend is limited to the Plan's net assets. At March 31, the fair value of the Plan's net assets is $131.4 billion ($110.0 billion in 2009).

The Canada Pension Plan Account (the Account) was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. It also records the amounts transferred to or received from the Canada Pension Plan Investment Board (the Board). The Board operates at arm's length from the Government and invests in a diversified portfolio of securities.

Amendments to the *Canada Pension Plan Act* and the *Canada Pension Plan Investment Board Act* that became effective April 1, 2004 provides for weekly transfers to the Board of any amounts held in the Account that exceed the immediate obligation of the Plan. It also allows interest to be either credited to or charged to the Account based on its closing position.

Table 6.31 presents a reconciliation between the net assets shown in the Plan's financial statements and the Account, as well as a summary of the balances and transactions in the Account which result in the deposit with the Receiver General for Canada.

TABLE 6.31

DUE TO CANADA PENSION PLAN

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Canada Pension Plan balance per audited financial statements—				
Net assets per audited financial statements	110,021,628,689	52,259,263,615	30,860,441,959	131,420,450,345
Less: Receivables, net of liabilities	4,430,078,945	3,614,994,599	4,430,078,945	3,614,994,599
Accumulated net income from Canada Pension Plan Investment Board's operations	8,579,000,000	15,982,000,000		24,561,000,000
	97,012,549,744	*32,662,269,016*	*26,430,363,014*	*103,244,455,746*
Less: transfers to Canada Pension Plan Investment Board	96,922,426,913	24,160,983,192	30,308,227,015	103,069,670,736
Deposit with the Receiver General for Canada	90,122,831	56,823,252,208	56,738,590,029	174,785,010

Receipts and other credits include:

(a) contributions at the combined employer and employee rates of 9.9 percent of pensionable earnings for the 2009 and 2010 calendar years, subject to maximum combined contributions of $4,237 and $4,326 respectively;

(b) income from the average daily operating balance deposited with the Receiver General for Canada;

(c) gains on investments held by the Board; and,

(d) payments received on overpayments established.

Payments and other charges include:

(a) pensions and benefits paid under the Plan as retirement pensions, survivors' benefits paid to spouse or common-law partner and orphans, or as lump sum death benefits, and disability benefits to eligible contributors and their children;

(b) pensions and benefits paid and recovered from the Plan, in accordance with an agreement with a province providing a comprehensive pension plan;

(c) payments that are required to be charged to the Plan, in accordance with reciprocal agreements with other countries;

(d) costs of administration of the Plan;

(e) funds transferred to the Board; and,

(f) losses on investments held by the Board.

For additional information, the financial statements of the Plan are included with other Supplementary Statements at the end of this section. Additional information on the funding of the Plan may also be obtained from the *23rd Actuarial Report on the Canada Pension Plan* prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions.

Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Government annual surplus.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and any credit needed to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

As of March 31, 2010, over 51,938 annuitants held 55,857 active contracts, each annuitant receiving an average payment of $660.00. During the year, 210 deferred annuities came into payment and another 43 deferred contracts were terminated at or before maturity, due to death, small refunds or unclaimed funds. Therefore, as of March 31, 2010, there were 1,103 outstanding deferred annuities, the last of which will come into payment around the year 2030.

During the 2009-2010 fiscal year, 4,623 annuities were terminated or adjusted as a result of annuitant deaths: 2,961 group certificates and 1,662 individual contracts. The average age at death for males was 85.6 while the female age at death averaged 88.9.

Total income amounted to $17.5 million, $17.2 million of which represented interest of 7 percent credited to the Account. Premiums received totaled $18,133. Total disbursements of $38.7 million originated mainly from the $38.4 million in payments made under matured annuities. An amount of $66,078 was used to refund premiums at death before maturity or when the annuity would have been too small, and $104,940 was transferred to the Government's revenues as a result of unclaimed annuities.

The opening balance of $267.2 million was reduced due to a surplus as at April 1, 2009 of $3.2 million, transferred to the Government's revenues, and disbursements exceeding income by $21.2 million during 2009-2010. Since the actuarial reserves required as of March 31, 2010 were only $243.5 million, an excess amount of $2.5 million was also transferred to the Government's revenues.

During the year, debts totalling $84,434 related to overpayments were written-off pursuant to Human Resources and Skills Development Vote 7c, *Appropriation Act No. 5, 2009-2010*.

Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain funds that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding accounts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.32 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.32

DEPOSIT AND TRUST ACCOUNTS

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Deposit accounts—				
Agriculture and Agri-Food—				
Contractors' security deposits—Certified cheques..........	9,000	73,152		82,152
Canadian Dairy Commission—				
Canadian Dairy Commission account..................		12,199,073	12,199,073	
Canadian Food Inspection Agency—				
Contractors' security deposits—Cash..................	51,783	50,000		101,783
	60,783	*12,322,225*	*12,199,073*	*183,935*
Canada Revenue Agency—				
Guarantee deposits....................................	108,197,993	29,752,410	38,117,050	99,833,353
Less: securities held in trust..........................	394,000	5,000		389,000
	107,803,993	*29,757,410*	*38,117,050*	*99,444,353*
Finance—				
Canada Development Investment Corporation—				
Holdback—Privatization	44,274,598	98,782	5,000,000	39,373,380
Canada Hibernia Holding Corporation—				
Abandonment reserve fund...........................	93,505,999	212,809		93,718,808
Swap collateral deposit................................		329,511,805		329,511,805
	137,780,597	*329,823,396*	*5,000,000*	*462,603,993*
Fisheries ans Oceans—				
Guarantee deposits—Fish Habitat Preservation		30,000	25,000	5,000
Human Resources and Skills Development—				
Canada Labour Code—Other...........................	96,753	512,332	476,929	132,156
Canada Labour Code—Wage recovery appeals..	505,412	1,238,975	447,145	1,297,242
Fair Wages Deposit Account		6,449	6,449	
	602,165	*1,757,756*	*930,523*	*1,429,398*
Indian Affairs and Northern Development—				
Field British Columbia and Yukon Operations of the Northern Canada Power Commission..................	992,587			992,587
Guarantee deposits......................................	364,574,685	45,686,780	47,338,566	362,922,899
Less: securities held in trust..........................	350,324,791	43,619,114	42,685,863	349,391,540
	14,249,894	*89,305,894*	*90,024,429*	*13,531,359*
Guarantee deposits—Oil and gas........................	528,595,667	3,167,384	21,429,268	510,333,783
Less: securities held in trust..........................	524,313,176	19,487,510		504,825,666
	4,282,491	*22,654,894*	*21,429,268*	*5,508,117*
Guarantee deposits—Reserve resources..................	766,953			766,953
Special accounts—Section 63, Indian Act.......................................	145,118	1,073,933	1,128,989	90,062
Less: deposits in special bank accounts................	145,118	1,128,989	1,073,933	90,062
		2,202,922	*2,202,922*	
	20,291,925	*114,163,710*	*113,656,619*	*20,799,016*
Justice—				
Courts Administration Service—				
Security for costs....................................	25,431	58		25,489
Supreme Court of Canada—				
Security for costs....................................	391,979	2,580	4,324	390,235
	417,410	*2,638*	*4,324*	*415,724*

TABLE 6.32

DEPOSIT AND TRUST ACCOUNTS—*Continued*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Natural Resources—				
Guarantee deposits—Oil and gas	237,567,737	269,213,873	272,930,257	233,851,353
Less: securities held in trust	227,780,810	227,780,810	229,218,363	229,218,363
	9,786,927	*496,994,683*	*502,148,620*	*4,632,990*
Privy Council—				
Chief Electoral Officer—Candidates' and committees' deposits—Election and referendum	417,000	23,000	338,000	102,000
Public Safety and Emergency Preparedness—				
Canada Border Services Agency—				
Guarantee deposits	6,196,071	3,115,662	303,999	9,007,734
Less: securities held in trust	138,300	1,000		137,300
	6,057,771	*3,116,662*	*303,999*	*8,870,434*
General security deposits	4,542,062	472,223		5,014,285
Immigration guarantee fund	27,765,797	8,049,457	9,274,728	26,540,526
Temporary deposits received from importers	963,112		902,315	60,797
	39,328,742	*11,638,342*	*10,481,042*	*40,486,042*
Royal Canadian Mounted Police—				
Contractors' security deposits—Cash	217,696	25,700	222,294	21,102
Guarantee deposits		10,000	10,000	
	217,696	*35,700*	*232,294*	*21,102*
Public Works and Government Services—				
Contractors' security deposits—Cash	6,426,742	4,031,100	2,555,658	7,902,184
Deposits on disposals	348,795	6,641,500	6,212,078	778,217
Seized property—Cash	77,934,742	5,678,466	1,067,867	82,545,341
	84,710,279	*16,351,066*	*9,835,603*	*91,225,742*
Other departments and agencies—				
Contractors' security deposits—				
Bonds	2,688,241			2,688,241
Less: securities held in trust	2,688,241			2,688,241
Cash	3,055,456	12,252,851	13,224,176	2,084,131
Certified cheques	15,450			15,450
Less: securities held in trust	10,000			10,000
	5,450			*5,450*
	3,060,906	*12,252,851*	*13,224,176*	*2,089,581*
Total deposit accounts	404,478,423	1,025,152,777	706,192,324	723,438,876
Trust accounts—				
Human Resources and Skills Development—				
Indian Residential Schools Settlement Agreement—				
Common Experience Payments	433,231,527	1,004,364	60,013,800	374,222,091
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.33	839,522,951	115,064,103	170,519,564	784,067,490
Revenue accounts, Table 6.34	232,285,848	90,356,058	80,557,736	242,084,170
	1,071,808,799	*205,420,161*	*251,077,300*	*1,026,151,660*
Indian estate accounts	15,238,286	6,451,562	4,981,188	16,708,660
Indian savings accounts	39,699,771	2,516,853	4,214,657	38,001,967
	1,126,746,856	*214,388,576*	*260,273,145*	*1,080,862,287*
Industry—				
Restitutions under the Competition Act	6,085		4,562	1,523
National Defence—				
Estates—Armed services	212,481	66,550,267	66,212,670	550,078
Public Safety and Emergency Preparedness—				
Canadian Security Intelligence Service—				
Scholastic awards	27,678	62	1,000	26,740
Correctional Service—				
Inmates' trust fund	15,524,391	40,689,253	39,834,805	16,378,839

TABLE 6.32

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Royal Canadian Mounted Police—				
Benefit trust fund	2,352,126	85,456	129,983	2,307,599
	17,904,195	*40,774,771*	*39,965,788*	*18,713,178*
Veterans Affairs—				
Administered accounts	1,789,900	87,114	883,068	993,946
Estates fund	1,622,976	891,635	717,359	1,797,252
Veterans administration and welfare trust fund	1,287,097	103,781	172,060	1,218,818
	4,699,973	*1,082,530*	*1,772,487*	*4,010,016*
Total trust accounts	1,582,801,117	323,800,508	428,242,452	1,478,359,173
Total deposit and trust accounts	1,987,279,540	1,348,953,285	1,134,434,776	2,201,798,049

Contractors' security deposits—Certified cheques—Agriculture and Agri-Food

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*. This account was established for banking purposes using the Consolidated Revenue Fund pursuant to section 15 of the *Canadian Dairy Commission Act*.

Contractors' security deposits—Cash—Canadian Food Inspection Agency

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Guarantee deposits—Canada Revenue Agency

This account was established to record cash securities required to guarantee payment of Goods and Services Tax (GST) as it relates to non-resident registrants and, certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*.

Securities held in trust by the Agency are made up of cash deposited to the Consolidated Revenue Fund.

Holdback—Privatization—Canada Development Investment Corporation

This account was established pursuant to subsection 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

Abandonment reserve fund—Canada Hibernia Holding Corporation

This account was established to record funds which will be used to defray the future abandonment costs that will occur at the closure of the Hibernia field.

Swap collateral deposits

This account was established to record cash received as credit support under a collateral agreement with financial institutions.

Guarantee deposits—Fish Habitat Preservation

This account was established to record cash and securities deposited as guarantees for preservation of fish habitat as required by permits, leases or authorizations, pursuant to Section 35 of the *Fisheries Act*. Interest is not allowed on cash deposits.

Canada Labour Code—Other

This account was established to record amounts received under the provisions of section 251 of the Canada Labour Code Part III. The receipts are wage payments ordered by a Labour inspector in settlement of a wages dispute, which the employer has chosen to pay to the Minister of Labour instead of paying them directly to the employee. These amounts are then paid out to the employees.

Canada Labour Code—Wage Recovery Appeals

This account was established to record amounts received under the provisions of section 251.1 of the Canada Labour Code Part III. This requires federally-regulated employers who wish to appeal a payment order made by a Labour inspector regarding wages due to employees, to forward the amounts due to the Minister of Labour for deposit. They are held until the appeal is completed and the adjudicator has directed payment of the disputed amount to the employee or return to the employer. Deposits in this account are interest-bearing at the rate set by the Minister of Finance for contractor's deposits.

Fair wages deposit account

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field, British Columbia and Yukon Operations of the Northern Canada Power Commission.

Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for performance as required by permits, leases, authorizations and water licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee or refundable rental that the agreed exploration work will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

Special accounts—Section 63, Indian Act

This account was established to record funds held for Indians in authorized banks across Canada. These funds include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands. This is a non-interest bearing account.

Security for costs—Courts Administration Service

This account was established to maintain accounts on behalf of litigants before the Tax Court of Canada. These accounts record the funds paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held pending payment of such funds, in accordance with an order/judgment of the Court.

Security for costs—Supreme Court of Canada

This account was established to record security to the value of $500 deposited by an Appellant with the Registrar of the Supreme Court of Canada in accordance with paragraph 60(1)(b) of the *Supreme Court Act*. As per section 87 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

Guarantee deposits—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

Guarantee deposits—Canada Border Services Agency

This account was established to record cash required to guarantee payment of customs duties on imported goods pursuant to the *Customs Act*.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with subsection 148 of the *Immigration and Refugee Protection Act*.

Immigration guarantee fund

This account was established by sections 14, 26, 44, 56, 58 and 148 of the *Immigration and Refugee Protection Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various (Customs) regulations regarding temporary entry of goods.

Contractors' security deposits—Cash—Royal Canadian Mounted Police

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Guarantee deposits—Royal Canadian Mounted Police

This account was established to record cash securities received as part of a rental agreement.

Contractors' security deposits—Cash—Public Works and Government Services

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Deposits on disposals

This account was established in accordance with the terms and conditions of the Real Property Disposition Revolving Fund to record receipts on disposals of properties.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash. These funds will be deposited to the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

Contractors' security deposits—Other departments and agencies

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Indian Residential Schools Settlement Agreement—Common Experience Payments

This account was established pursuant to section 21 of the *Financial Administration Act*, to record amounts received and paid under article 5 of the Indian Residential Schools Settlement Agreement. It was established on September 19, 2007, and provides for the payment of Common Experience Payments to eligible former students of recognized Indian Residential Schools. The account is credited with interest pursuant to section 21(2) of the *Financial Administration Act*. The Designated Amount Fund is co-administered by Indian Affairs and Northern Development and Human Resources and Skills Development.

Indian band funds

This account was established to record funds belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.33

INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	2009-2010	2008-2009
	$	$
Opening balance	839,522,951	763,267,612
RECEIPTS AND OTHER CREDITS—		
Oil royalties	63,217,412	69,901,479
Gas royalties	39,225,190	148,935,569
Sundries	12,621,501	19,019,331
	115,064,103	237,856,379
	954,587,054	1,001,123,991
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	15,610,900	23,069,592
Transfer pursuant to section 64 of the Indian Act	149,542,307	138,529,017
Sundries	5,366,357	2,431
	170,519,564	161,601,040
Closing balance	784,067,490	839,522,951

TABLE 6.34

INDIAN BAND FUNDS—REVENUE ACCOUNTS

	2009-2010	2008-2009
	$	$
Opening balance	232,285,848	218,294,862
RECEIPTS AND OTHER CREDITS—		
Government interest	40,490,027	41,124,580
Court awards and settlements	3,029,597	13,669,273
Land and other claim settlements	3,129,898	200,000
Sundries	43,706,536	35,101,848
	90,356,058	90,095,701
	322,641,906	308,390,563
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	1,575,679	2,057,890
Transfer pursuant to section 69 of the Indian Act	68,630,573	66,695,244
Sundries	10,351,484	7,351,581
	80,557,736	76,104,715
Closing balance	242,084,170	232,285,848

Indian estate accounts

These accounts were established to record funds received and disbursed for estates of deceased Indians, mentally incompetent Indians and missing Indians pursuant to sections 42 to 51 and 52.3 of the *Indian Act*.

Indian savings accounts

These accounts were established to record funds received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Restitutions under the Competition Act

This account was established to facilitate judgements rendered under section 52 of the *Competition Act*, and account for funds received in trust for restitution and for subsequent payment.

Estates—Armed services

This account was established to record the service estates pursuant to section 42 of the *National Defence Act* of officers and non-commissioned members who die during their service in the Canadian Forces. Under the administration of the Judge Advocate General, in his capacity as Director of Estates, net assets of estates are distributed to the lawful representative of the personal estate.

Scholastic awards

This account was established to record donations of $26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with funds received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, funds received for inmates while in custody, funds received from sales of hobby craft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record funds received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

Administered accounts

Pursuant to section 41 of the *Pension Act*, section 15 of the *War Veterans Allowance Act*, section 55 of the Veterans Treatment Regulations and section 8 of the Guardianship of Veterans Property Regulations, these accounts are under the jurisdiction of the Department of Veterans Affairs. Funds held in these accounts include: *(a)* pensions, war veterans allowances and treatment allowances placed under the administration of the Department of Veterans Affairs; and, *(b)* benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the appropriate legislative authority.

Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc. received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.35 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.35

OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Insurance company liquidation	1,027,842	5,679,762	1,027,842	5,679,762
Human Resources and Skills Development—				
Civil service insurance fund	5,763,935	58,096	264,522	5,557,509
National Defence—				
Regular force death benefit account, Table 6.36	192,592,769	31,981,145	32,460,980	192,112,934
Treasury Board—				
Public Service death benefit account, Table 6.37	2,702,221,845	281,021,807	154,383,630	2,828,860,022
Veterans Affairs—				
Returned soldiers' insurance fund	12,876	1,291	1,846	12,321
Veterans insurance fund	4,879,870	136,489	853,665	4,162,694
	4,892,746	*137,780*	*855,511*	*4,175,015*
Total insurance and death benefit accounts	2,906,499,137	318,878,590	188,992,485	3,036,385,242
Pension accounts—				
Human Resources and Skills Development—				
Annuities agents' pension account	529	1,448	1,246	731
Public Safety and Emergency Preparedness—				
Royal Canadian Mounted Police—				
Dependants' pension fund	27,831,547	1,815,007	2,596,821	27,049,733
Total pension accounts	27,832,076	1,816,455	2,598,067	27,050,464
Other accounts—				
Agriculture and Agri-Food—				
AgriInvest Program	357,845,466	421,835,762	239,187,554	540,493,674
Canadian Agricultural Income Stabilization	60,643,943	117,265,942	116,705,223	61,204,662
Canadian Food Inspection Agency—				
Shared-cost agreements	1,792,467	641,172	819,320	1,614,319
	420,281,876	*539,742,876*	*356,712,097*	*603,312,655*
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account	203,000	340,653	543,653	
Canada Revenue Agency—				
Deposits/Disbursements—Worker's Compensation Board		230,453,766	230,278,771	174,995
Underground Economy Working Group		225,990	225,990	
		230,679,756	*230,504,761*	*174,995*
Canadian Heritage—				
Miscellaneous projects deposits	188,717	114,058	173,477	129,298
Library and Archives of Canada—				
Special Operating Account	389,875	523,142	624,579	288,438
Telefilm Canada—				
Advance account	47,278,709	145,139,837	155,027,264	37,391,282
	47,857,301	*145,777,037*	*155,825,320*	*37,809,018*

TABLE 6.35

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Citizenship and Immigration—				
Immigrant investor program	33,600,000	911,597,444	870,397,444	74,800,000
Environment—				
Miscellaneous projects deposits	5,398,402	2,228,683	2,833,128	4,793,957
Parks Canada Agency—				
Miscellaneous projects deposits	1,466,256	983,083	1,382,727	1,066,612
	6,864,658	*3,211,766*	*4,215,855*	*5,860,569*
Finance—				
Common school funds—Ontario and Quebec	2,677,771			2,677,771
Foreign claims fund	179,020			179,020
War claims fund—World War II	4,236			4,236
	2,861,027			*2,861,027*
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements	1,039,537	3,899,733	4,210,316	728,954
Miscellaneous projects deposits	11,600,161	65,615,444	48,575,527	28,640,078
Sales of seized assets	714,283	731,717	492,156	953,844
	13,353,981	*70,246,894*	*53,277,999*	*30,322,876*
Foreign Affairs and International Trade—				
Canada Foundation account	358,522			358,522
Less: securities held in trust	351,370			351,370
deposits in a special bank account	7,152			7,152
Financial assistance to Canadians abroad	79,273	1,051,022	1,003,277	127,018
Funds from non-governmental organizations	1,506,295	4,002,055	4,013,122	1,495,228
Shared-cost projects	9,715,512	19,053,479	18,192,873	10,576,118
Canadian International Development Agency—				
Shared-cost projects—Support to various programs (previously Support to education programs)	1,000,000	11,968,005	11,880,484	1,087,521
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements	1,099			1,099
	12,302,179	*36,074,561*	*35,089,756*	*13,286,984*
Health—				
Collaborative research projects	2,075,865	1,374,593	872,239	2,578,219
Miscellaneous federal/provincial projects	1,489,780	357,999	494,129	1,353,650
World Health Organization	104,515			104,515
Public Health Agency of Canada—				
Collaborative research projects	1,222,007	379,515	350,521	1,251,001
Miscellaneous federal/provincial projects	983,238	9,950	6,991	986,197
	5,875,405	*2,122,057*	*1,723,880*	*6,273,582*
Human Resources and Skills Development—				
Canada Millennium Scholarship foundation Excellence Awards		14,824,352	420,511	14,403,841
Federal/provincial shared-cost project	2,637,081	38,793,228	40,992,174	438,135
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)	1,814,798	1,022,822	897,362	1,940,258
Labour standards suspense account	1,477,825	5,167	3,369	1,479,623
Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-British Columbia	11,032,932	290,629,000	294,282,817	7,379,115
Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Newfoundland and Labrador		58,234,425	54,800,993	3,433,432
Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Nova Scotia		67,597,524	63,721,195	3,876,329
Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Ontario	14,187,757	582,683,000	580,756,612	16,114,145

TABLE 6.35

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Provincial funding for collaborative arrangement—Labour Market Development Agreement (LMDA)-Yukon Territory		650,000	376,704	273,296
Canadian Centre for Occupational Health and Safety—Shared-cost agreements	45,000	63,000		108,000
	31,195,393	*1,054,502,518*	*1,036,251,737*	*49,446,174*
Indian Affairs and Northern Development—				
Indian special accounts	387,408	2,634		390,042
Indian band funds—				
Shares and certificates	20,000			20,000
Less: securities held in trust	20,000			20,000
Indian compensation funds	222,340			222,340
Indian moneys suspense account	33,294,952	20,870,136	16,687,770	37,477,318
Non-Indian moneys	(247,958)	17,933,510	16,990,152	695,400
	33,656,742	*38,806,280*	*33,677,922*	*38,785,100*
Industry—				
Canada/Provinces Business Service Centre	1,763	400,000	269,940	131,823
Income from securities in trust—Bankruptcy and Insolvency Act	52,031			52,031
Petro-Canada Enterprises Inc—Unclaimed shares	689,150			689,150
Securities in trust—Bankruptcy and Insolvency Act	31,266			31,266
Less: securities held in trust	31,266			31,266
Shared-cost/joint project agreements—Research	81,895	65,000	4,694	142,201
Shared-cost projects	1,148,229	838,429	715,056	1,271,602
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act	19,014,451	2,649,707	1,447,615	20,216,543
Canada Business Corporations Act	7,552,344	2,095,271	671,558	8,976,057
Winding-up and Restructuring Act	1,281,344	18,129		1,299,473
Canadian Space Agency—Radarsat	104,300		4,421	99,879
Statistics Canada—Project deposits	4,714,916	102,946,526	101,917,025	5,744,417
	34,640,423	*109,013,062*	*105,030,309*	*38,623,176*
Justice—				
Courts Administration Service—Special account	6,437,289	2,460,815	1,540,622	7,357,482
Offices of the Information and Privacy Commissioners of Canada—Cost-sharing agreement		19,357	11,294	8,063
	6,437,289	*2,480,172*	*1,551,916*	*7,365,545*
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta	1,271,612	2,345,740	808,719	2,808,633
Wainwright, Alberta	1			1
Other activities	471,269		471,269	
Federal Republic of Germany—German Army—Shilo, Manitoba	215,937	73,250	289,187	
Netherlands	1,405,096			1,405,096
Italian Air Force Training	9,097	54,234	63,331	
Air projects	1			1
Security	3,736,049	947,110	286,395	4,396,764
Assistant Deputy Minister (Materiel)	544,175		544,175	
	7,653,237	*3,420,334*	*2,463,076*	*8,610,495*
Joint research and development projects	9,042,532	22,875,082	27,034,990	4,882,624
Non-government agencies	2,895,688	24,110,514	23,976,792	3,029,410
North Atlantic Treaty Organization (NATO)—Infrastructure projects	2			2
The Military Museum	222,773	10,244,962	10,467,735	
	19,814,232	*60,650,892*	*63,942,593*	*16,522,531*

TABLE 6.35
OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/2009	Receipts and other credits	Payments and other charges	March 31/2010
	$	$	$	$
Natural Resources—				
Market development incentive payments—Alberta	4,664,104	4,664,104	4,664,104	4,664,104
Newfoundland Offshore Revenue Account	2	968,223,044	968,223,044	2
Nova Scotia Offshore Revenue Account		79,363,670	79,363,670	
Shared-cost agreements—Research	793,591	19,953,369	15,515,926	5,231,034
Shared-cost projects	11,668,672		9,661,103	2,007,569
Canadian Nuclear Safety Commission—				
Security equipment purchases	104,571	310,845	221,440	193,976
	17,230,940	*1,072,515,032*	*1,077,649,287*	*12,096,685*
Privy Council—				
Shared-cost projects—Media travel expenses	834,671	656,178	560,366	930,483
Public Safety and Emergency Preparedness—				
Joint research and development projects	1,273,297		1,273,297	
Royal Canadian Mounted Police—				
Joint research and development projects	1,301,282		638,639	662,643
Seized assets—Canadian funds	650,222			650,222
	3,224,801		*1,911,936*	*1,312,865*
Public Works and Government Services—				
Credit card—Special project fund	924,992			924,992
Francophone Summits	23,037	66,748	85,052	4,733
Military purchases excess funds deposit	198,351,022		5,515,539	192,835,483
Less: securities held in trust	198,351,022	5,515,539		192,835,483
		5,515,539	*5,515,539*	
	948,029	*5,582,287*	*5,600,591*	*929,725*
Veterans Affairs—				
Shared-cost agreements	17,273	40,662	41,102	16,833
Total	691,199,220	4,284,040,127	4,034,508,524	940,730,823
Less: consolidation adjustment(1)	47,278,709	9,887,427		37,391,282
Total other accounts	643,920,511	4,293,927,554	4,034,508,524	903,339,541
Total other specified purpose accounts	3,578,251,724	4,614,622,599	4,226,099,076	3,966,775,247

(1) Additional information on consolidated Crown corporations and other entities is provided in Section 4 of this volume.

Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate, of various insurance companies for which the Superintendent of Financial Institutions is the court appointed liquidator.

Civil service insurance fund

This account was established by the *Civil Service Insurance Act*, introduced to enable the Minister of Finance to contract with a person appointed to a permanent position in any branch of the public service, for the payment of certain death benefits. No new contracts have been entered into since 1954, when the Supplementary Death Benefit Plan for the Public Service and Canadian Forces was introduced as part of the *Public Service Superannuation Act* and the *Canadian Forces Superannuation Act*, respectively. As of April 1st, 1997, the Department of Human Resources and Skills Development (Human Resources and Skills Development) assumed responsibility for the administration and the actuarial valuation of the *Civil Service Insurance Act*.

The number of policies in force as of March 31, 2010 was 1,059 and the average age of the policyholders was 89.6 years. During the year, premiums of $1,246 were received. Death benefits, settlement annuities and premium refunds of $264,522 were paid during 2009-2010.

According to the actuarial valuation and with the prescribed actuarial assumptions, the liabilities in respect of the benefits provided under the Act are estimated at $5,557,509 as at March 31, 2010. The balance in the Account as at March 31, 2010 is $5,500,660. The deficit as at March 31, 2010 is therefore $56,849. Pursuant to subsection 16(3) of the Civil Service Insurance Regulations, an amount of $56,849 has therefore been credited to the Account in 2009-2010.

Regular force death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members and former members of the Canadian Forces. Receipts and other credits consist of: *(a)* contributions by participants; *(b)* Government's contribution paid in respect of participants; *(c)* single premiums payable by the Government in respect of participants who became entitled to a basic benefit of $5,000 without contribution; and, *(d)* interest.

Payments and other charges consist of: *(a)* benefits paid in respect of participants; *(b)* benefits paid in respect of elective; and, *(c)* the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.36

REGULAR FORCE DEATH BENEFIT ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	192,592,769	196,711,996
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	16,633,527	15,052,330
Government's contribution	2,075,662	2,293,568
Single premiums payable by the Government in respect of regular force participants who became entitled to a basic benefit of $5,000 without contribution	539,406	593,118
Interest	12,732,550	13,353,356
	31,981,145	31,292,372
	224,573,914	228,004,368
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular force, or who were elective regular force participants	32,460,980	35,411,599
Closing balance	192,112,934	192,592,769

Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: *(a)* contributions by employees; *(b)* contributions by the Government and Public Service corporations; and, *(c)* interest. Payments and other charges represent: *(a)* benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, *(b)* benefits of $10,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for $10,000 death benefit coverage for life has been made.

TABLE 6.37

PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	2009-2010	2008-2009
	$	$
Opening balance	2,702,221,845	2,570,039,743
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	87,993,370	81,448,228
Government—		
General	9,556,419	8,483,041
Single premium for $10,000	1,846,852	1,842,593
Public Service corporations	1,127,541	1,072,326
Interest	180,497,625	178,766,500
	281,021,807	271,612,688
	2,983,243,652	2,841,652,431
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General	114,568,042	101,256,684
Life coverage for $10,000	39,735,887	37,663,129
Other death benefit payments	79,701	510,773
	154,383,630	139,430,586
Closing balance	2,828,860,022	2,702,221,845

Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2009 of $1,291 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received was August 31, 1933.

Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 2009 of $135,244 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received was October 31, 1968.

Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

AgriInvest Program

On March 9, 2007, the Prime Minister announced the Government's intent to pursue agreement with the provinces and territories on a producer savings account program that would replace the coverage for small income declines provided by the Canadian Agricultural Income Stabilization (CAIS) program.

On June 29, 2007, the federal, provincial, and territorial Ministers of Agriculture agreed in *Growing Forward*, a bold market-driven vision for Canada's agriculture, agri-food and agri-based products industry. *Growing Forward* includes a new suite of business risk management programs that are more responsive, predictable and bankable for producers.

The new suite of business risk management programs were established under the *Farm Income Protection Act* and include the following:

- AgriInvest: A producer savings account program to help cover small margin declines.
- AgriStability: A program designed to cover larger margin declines caused by circumstances such as low prices, production losses, and rising input costs.
- AgriInsurance: A program that includes existing production insurance that offer protection for production losses by uncontrollable weather related perils and is being expanded to include other commodities.
- AgriRecovery: A disaster relief framework providing a coordinated process for federal, provincial and territorial governments to respond to disasters and help producers quickly.

The AgriInvest and AgriStability programs were set to replace CAIS starting with the 2007 program year.

AgriInvest and AgriStability programs are cost-shared with provinces and territories on a 60/40 basis. The provinces and territories are invoiced for their share of the contributions which are held in the specified purpose accounts. The specified purpose accounts are drawn down as AgriInvest account holders request withdrawals.

Canadian Agricultural Income Stabilization

On December 11, 2003, the Minister of Agriculture and Agri-Food Canada announced that the Agricultural Policy Framework (APF) had received the necessary signatures required for the implementation. This resulted in the launching of the Canadian Agricultural Income Stabilization (CAIS) program and the ending of the Net Income Stabilization Account (NISA) program after the 2002 stabilization year.

The CAIS program was designed to help producers protect their farming operation from both small and large drops in income. In general, individuals or entities that derive income from primary production of agricultural commodities, as defined by the program, are eligible to participate in the CAIS program.

The CAIS program ended with the delivery of the 2006 program year benefits.

Shared-cost agreements—Canadian Food Inspection Agency

This account was established to record amounts deposited by external parties for shared-cost research projects. Funds are disbursed on behalf of depositors as specific projects are undertaken.

Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Funds are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

Deposits/Disbursements—Worker's Compensation Board

This account was established under the authority of the *Canada Revenue Agency Act* and the *Worker's Compensation Act*, to enable the Canada Revenue Agency to record and forward on daily basis, funds received from Nova Scotia employers to the Worker's Compensation Board of Nova Scotia, as part of a partnership arrangement between the Agency and the Board.

Underground Economy Working Group

This account was established to record the costs associated with the Underground Economy Working Group, which are shared between the CRA, the provinces and the territories according to an established cost-sharing formula.

The working group's mandate is to reduce participation in the underground economy through research, information sharing, communication, education and enforcement.

Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals for various projects.

Special Operating Account

This account was established pursuant to section 18 of the *Library and Archives of Canada Act*, which also directed that *(a)* the account be credited with funds received for the purpose of the Library and Archives Canada by way of donation, bequest or otherwise and *(b)* any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

Advance account—Telefilm Canada

This account was established pursuant to section 19 of the *Telefilm Canada Act*, to reserve for use in future years, funds generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

Immigrant investor program

This account was established to record the receipt and disbursement of amounts received under the Immigrant Investor Program in accordance with section 12(2) of the *Immigration and Refugee Protection Act* and section 91(d) of the Immigration and Refugee Protection Regulations. This program allows qualified immigrants to gain permanent residence in Canada by making an investment in the Canadian economy.

Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the advancement of research work and clean-up efforts.

Miscellaneous projects deposits—Parks Canada Agency

This account was established to record contributions received from organizations and individuals for various projects.

Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of $133,889, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: *(a)* such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, *(b)* all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record funds received from the Custodian of Enemy Property or from other sources, and payments: *(a)* to eligible claimants for compensation in respect of World War II; *(b)* of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, *(c)* of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

Federal/provincial cost-sharing agreements

This account was established to record the deposit of funds received from the provinces for cost-shared programs according to official signed agreements.

Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the advancement of research work.

Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Funds so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record funds received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

This account was established to record funds received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

Funds from non-governmental organizations

This account was established to record funds received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record funds received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Shared-cost projects—Support to various programs (previously Support to education programs)

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects to support a water management program and various programs in the education sector.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record funds received from the United States and the Mexican Sections of the NAFTA Secretariat, for the development and administration of common information management systems.

Collaborative research projects—Health

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Health

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Collaborative research projects—Public Health Agency of Canada

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Public Health Agency of Canada

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial/territorial projects which address health issues which are national in scope.

Canada Millennium Scholarchip Foundation Excellence Awards

The account is established pursuant to Part 4 of the *Budget Implementation Act*, 2008, and to the agreement between the Canada Millennium Scholarship Foundation (CMSF), Human Resources and Skills Development Canada (HRSDC), and Treasury Board, to transfer funds from the CMSF to HRSDC for the purpose of making any remaining payments due to students who are receiving CMSF Excellence Awards where the payment eligibility period extends past the date of dissolution of the CMSF, and for payment of the costs of administering this program on behalf of the CMSF.

The amount transferred was $14,824,352. HRSDC will administer the remaining Excellence Awards Disbursements until December 31, 2013. After this date, HRSDC will transfer any funds remaining in the account to the Consolidated Revenue Fund, as per Part 4 of the *Budget Implementation Act*, 2008.

Federal/provincial shared-cost project—Human Resources and Skills Development

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS)

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The costs incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

Labour standards suspense account

This account was established under the authority of section 23 of the Canada Labour Standards Regulations to record wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees. Wages are paid out when employees are located or when employees contact the department for payment.

Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA)-British Columbia

This account was established to record deposits of payments from the Province of British Columbia to Human Resources and Skills Development under the LMDA. The funding provided by the Province of British Columbia is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA)-Newfoundland and Labrador

This account was established to record deposits of payments from the Province of Newfoundland and Labrador to Human Resources and Skills Development under the LMDA. The funding provided by the Province of Newfoundland and Labrador is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA)-Nova Scotia

This account was established to record deposits of payments from the Province of Nova Scotia to Human Resources and Skills Development under the LMDA. The funding provided by the Province of Nova Scotia is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA)-Ontario

This account was established to record deposits of payments from the Province of Ontario to Human Resources and Skills Development under the LMDA. The funding provided by the Province of Ontario is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Provincial funding for collaborative arrangement —Labour Market Development Agreement (LMDA)-Yukon Territory

This account was established to record deposits of payments from the Yukon Territory to Human Resources and Skills Development under the LMDA. The funding provided by the Yukon Territory is used by Human Resources and Skills Development to make payments to provincial LMDA clients.

Shared-cost agreements—Canadian Centre for Occupational Health and Safety

This account represents funds contributed to a joint federal/provincial sponsored inquiries services provided by Canadian Centre for Occupational Health and Safety.

Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purpose and include the following:

(a) Quebec fur account—This account was established to record funds received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

(b) Off-reserve housing program—Personal Contributions—This account was established to record personal contributions held in trust until paid to the vendor, builder or legal representative.

(c) Fines— *Indian Act*—Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

Non-Indian moneys

This account was established to collect "Provincial Mineral Revenues" on behalf of the Province of Saskatchewan and remit the same in the manner as described in an agreement between the two parties. The collection and remittance arrangement is anticipated to terminate upon the expiry or forfeiture of all Replacement Mineral Dispositions or earlier if the Disposition Holders decide to stop drilling. All revenue moneys collected, received or held by the Crown for the use and benefit of the First Nations or its members cease to be Indian moneys and must be transferred to the First Nations. Monies must be held separately in a non-Indian moneys account. This account is interest bearing.

Canada/Provinces Business Service Centre

This account was established to record funds received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

Petro-Canada Enterprises Inc—Unclaimed shares

This account was established by Section 227 of the *Canada Business Corporation Act* to record the liability to shareholders who have not presented their shares for payment.

Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

Shared-cost/joint project agreements—Research

This account was established to record funds received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Shared-cost projects—Industry

This account was established to record funds received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

Unclaimed dividends and undistributed assets—Winding-up and Restructuring Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up and Restructuring Act*, pending distribution.

Radarsat

This account was established to record funds received for both cost-sharing and advance payments for Radarsat scenes.

Project deposits—Statistics Canada

This account was established to record deposits received from outside parties to secure payments for special statistical services.

Special account—Courts Administration Service

This account was established to maintain accounts on behalf of litigants before the Federal Court and Federal Court of Appeal. These accounts record the funds paid into the Federal Court and Federal Court of Appeal, pursuant to an order of the Courts, rules of the Courts or statutes, to be held pending payment of such funds, in accordance with an order/judgment of these Courts.

Cost-sharing agreement

This account was established to record deposits received from an organization outside the Government of Canada accounting entity and payments made in accordance with a Memorandum of agreement for shared-costs to assume part of the living costs for the loan of staff in Paris.

Foreign governments

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

Joint research and development projects—National Defence

This account was established to record funds received from the private sector through collaborative relationships where the work is shared between the government and the private sector laboratory.

Non-government agencies

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

North Atlantic Treaty Organization (NATO)—Infrastructure projects

These accounts were established to record funds received from NATO to cover *(a)* NATO infrastructure projects implemented by Canada, and, *(b)* other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

The Military Museum

The account was established to manage donations made to National Defence by interested parties for renovations to the existing structure and construction of a new wing to The Military Museum located in Calgary, Alberta.

During the year, the account was closed.

Market development incentive payments—Alberta

This account records funds received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments continued to be made from the account for selected programs, which encouraged the use of natural gas for vehicles.

More recently, a new strategy for the expenditure of these funds has been agreed upon. This strategy consists of a 50/50 split for expending the remaining funds in support of natural gaz (NG) market expansion activities related to transportation and combined heat and power applications.

Newfoundland Offshore Revenue Account

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Through statutory provisions of the Act, an amount equal to certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

Nova Scotia Offshore Revenue Account

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Through statutory provisions of the Act, an amount equal to certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of funds received from private industries and other governments for joint projects or shared-cost research agreements.

Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of funds received from private organizations and other governments for cost-sharing scientific projects.

Security equipment purchases

Funds deposited in this account by licensees are used to provide for payment of purchases of security equipment for the licensees' facilities in accordance with security arrangements mandated pursuant to the *Nuclear Safety and Control Act*.

Shared-cost projects—Media travel expenses

This account records medias' (non-governmental organizations) reimbursements for travel arrangement services rendered to them.

Joint research and development projects—Public Safety and Emergency Preparedness

This account was established to record funds received to conduct joint research and development projects.

During the year, the account was closed.

Joint research and development projects—Royal Canadian Mounted Police

This account was established to record funds received from other government organizations in order to share costs incurred under various research project agreements.

Seized assets—Canadian funds

This account was established to record funds seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Credit card—Special project fund

This account was established to record funds received from American Express (AMEX) to improve the Travel Card Program.

Francophone Summits

This account was established to record funding granted since 1994 by the "Agence intergouvernementale de la Francophonie (Paris)", which changed its name in 2006 to the "Organisation internationale de la Francophonie", for projects involving the development of French and partner languages in order to express scientific and technical modernity.

Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unused funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

Shared-cost agreements—Veterans Affairs

This account was established to record transactions relating to share of costs incurred under federal/provincial cost-sharing agreements and funding for research and other projects at Sainte Anne's Hospital.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Canada Pension Plan have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, by the management of Human Resources and Skills Development Canada (the Department).

Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgement. The financial information presented throughout the Annual Report is consistent with the financial statements.

In support of its responsibilities, management has developed and maintains systems of internal control and supporting procedures. They are designed to provide reasonable assurance that assets are safeguarded, records are properly maintained and that transactions are properly authorized and are in accordance with the *Canada Pension Plan Act*, the *Canada Pension Investment Board Act* and the *Financial Administration Act* and their accompanying regulations. These controls include the establishment of an organizational structure that provides a well defined division of responsibilities and accountability, the selection and training of qualified staff, and the communication of policies and guidelines throughout the organization. Internal controls are reviewed and evaluated by both internal and external auditors in accordance with their respective audits. Management also reviews the recommendations of its internal and external auditors for improvements in internal controls.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, has conducted an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and has reported to the Minister of Human Resources and Skills Development.

IAN SHUGART
Deputy Minister
Human Resources and
Skills Development Canada

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and
Skills Development Canada

Gatineau, Canada
August 23, 2010

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS DEVELOPMENT

I have audited the consolidated statement of net assets of the Canada Pension Plan as at March 31, 2010 and the consolidated statements of changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the management of Human Resources and Skills Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets of the Canada Pension Plan as at March 31, 2010 and the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 23, 2010

Canada Pension Plan—*Continued*

CONSOLIDATED STATEMENT OF NET ASSETS
AS AT MARCH 31
(in millions of dollars)

	2010	2009
Assets		
Cash (Note 3)	180	95
Receivables (Note 4)	3,989	4,796
Investments (Schedule, Note 7)	130,477	109,198
Amounts receivable from pending trades (Schedule)	9,813	3,245
Other assets	41	38
	144,500	117,372
Liabilities		
Payables and accrued liabilities (Note 9)	475	468
Investment liabilities (Schedule, Note 7)	2,519	2,149
Amounts payable from pending trades (Schedule)	10,086	4,733
	13,080	7,350
Net assets	131,420	110,022

Commitments (Note 13)
Contingent liabilities (Note 14)

The accompanying notes and consolidated schedule are an integral part of these consolidated financial statements.

Approved by:

IAN SHUGART
Deputy Minister
Human Resources and
Skills Development Canada

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and
Skills Development Canada

Canada Pension Plan—*Continued*

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31
(in millions of dollars)

	2010	2009
Net assets, beginning of year	110,022	126,785
Increase		
Contributions	36,276	36,506
Net investment income (loss) (Note 10)		
Realized gains (losses)	7,393	(17,841)
Unrealized gains (losses)	5,988	(9,326)
Interest income	1,742	1,568
Dividend income	1,304	2,179
Other income	406	326
Transaction costs	(148)	(93)
Investment management fees	(466)	(383)
	16,219	(23,570)
	52,495	12,936
Decrease		
Pensions and benefits		
Retirement	22,208	21,140
Survivor	3,891	3,786
Disability	3,513	3,326
Disabled contributor's child	291	278
Death	287	288
Orphan	222	215
Net overpayments	(49)	(28)
	30,363	29,005
Operating expenses (Note 11)	734	694
	31,097	29,699
Net increase (decrease) in net assets	21,398	(16,763)
Net assets, end of year	131,420	110,022

The accompanying notes and consolidated schedule are an integral part of these consolidated financial statements.

Canada Pension Plan—*Continued*

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31
(in millions of dollars)

	2010	2009
Operating activities		
Cash receipts		
Contributions	37,084	35,973
Dividends on investments	1,206	2,134
Interest on investments	2,090	1,818
Other investment income		300
Cash payments		
Pensions and benefits	(29,914)	(28,929)
Operating expenses	(713)	(678)
Investment management fees	(435)	(356)
Transaction costs	(158)	(85)
Cash flows from operating activities	9,160	10,177
Financing activities		
Issuance of debt	9,981	86
Repayment of debt	(8,602)	(68)
Payment of interest on debt	(71)	(60)
Cash flows from (used) in financing activities	1,308	(42)
Investing activities		
Purchases		
Equities	(63,420)	(117,905)
Inflation sensitive investments	(4,692)	(6,546)
Fixed income investments	(20,461)	(11,524)
Money market securities and absolute return strategies	(485,209)	(426,803)
Other debts	(1,027)	(1,774)
Premises and equipment	(15)	(20)
Disposals		
Equities	66,882	109,421
Inflation sensitive investments	1,705	5,770
Fixed income investments	11,163	11,978
Money market securities and absolute return strategies	484,096	427,479
Other debts	595	(225)
Cash flows used in investing activities	(10,383)	(10,149)
Net increase (decrease) in cash	85	(14)
Cash, beginning of year	95	109
Cash, end of year	180	95

The accompanying notes and consolidated schedule are an integral part of these consolidated financial statements.

Canada Pension Plan—*Continued*

CONSOLIDATED SCHEDULE OF INVESTMENTS
AS AT MARCH 31
(in millions of dollars)

	2010	2009
Equities (Note 7a)		
Canada		
Public equities	8,553	8,058
Private equities	985	775
	9,538	8,833
Foreign developed markets		
Public equities	24,614	19,057
Private equities	14,565	13,100
	39,179	32,157
Emerging markets		
Public equities	4,895	3,866
Private equities	512	240
	5,407	4,106
Total equities	54,124	45,096
Fixed income (Note 7b)		
Bonds	35,649	26,915
Other debts	3,526	1,828
Money market securities	14,068	14,569
Total fixed income	53,243	43,312
Absolute return strategies (Note 7c)	2,871	1,830
Inflation sensitive assets (Note 7d)		
Public real estate		255
Private real estate	7,982	7,610
Infrastructure	5,821	4,584
Inflation-linked bonds	904	775
Total inflation sensitive assets	14,707	13,224
Investment receivables		
Securities purchased under reverse repurchase agreements (Note 7e)	4,000	4,000
Accrued interest	594	558
Derivatives receivables (Note 7f)	760	1,042
Dividends receivables	178	136
Total investment receivables	5,532	5,736
Total investments	130,477	109,198
Investment liabilities		
Debt financing liabilities (Note 7g)	(1,303)	
Securities sold under repurchase agreements (Note 7e)		(99)
Debt on private real estate properties (Note 7d)	(947)	(930)
Derivatives liabilities (Note 7f)	(269)	(1,120)
Total investment liabilities	(2,519)	(2,149)
Amounts receivable from pending trades	9,813	3,245
Amounts payable from pending trades	(10,086)	(4,733)
Net investments	127,685	105,561

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

1. Authority, objective and responsabilities

(a) Description of the Canada Pension Plan

The Canada Pension Plan (CPP) is a federal/provincial plan established by an Act of Parliament in 1965.

The CPP began operations in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates the Régime de rentes du Québec, a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

The Canada Pension Plan Investment Board (CPPIB) was established pursuant to the *Canada Pension Plan Investment Board Act*. The CPPIB is a federal Crown corporation and all of its shares are owned by Her Majesty the Queen in right of Canada.

The Minister of Human Resources and Skills Development is responsible for the administration of the Canada Pension Plan (under the CPP Act); the Minister of National Revenue is responsible for collecting contributions. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates, pension and benefit levels and funding policy. The CPPIB is responsible for managing the amounts that are being transferred under Section 108.1 of the *Canada Pension Plan Act*. It acts in the best interests of the beneficiaries and contributors under the Act.

In accordance with the CPP Act, the financial activities of the Canada Pension Plan are recorded in the CPP Account (Note 3). The financial transactions affecting the Account are governed by the CPP Act and its regulations. The Plan's investments are held by the CPPIB. The CPPIB's transactions are governed by the *Canada Pension Plan Investment Board Act* and its accompanying regulations. The CPPIB's assets are to be invested with a view to achieving a maximum rate of return without undue risk of loss, with regard to the factors that may affect the funding of the CPP and its ability to meet its financial obligations on any given business day.

The CPPIB and its wholly-owned subsidiaries are exempt from Part I income tax under paragraphs 149(1)(d) and 149 (1)(d.2) of the *Income Tax Act* (Canada) on the basis that all of the shares of the CPPIB and its subsidiaries are owned by Her Majesty the Queen in right of Canada or by a corporation whose shares are owned by Her Majesty the Queen in right of Canada, respectively.

The CPPIB is designed to operate at arm's length from the government. It is required to be accountable to the public, Parliament (through the federal Minister of Finance), and the provinces. It provides regular reports of its activities and the results achieved.

As stated in the CPP and CPPIB Acts, changes to these Acts require the approval of at least two-thirds of the provinces that have, in the aggregate, not less than two-thirds of the population of all included provinces.

(b) Financing

The CPP is financed by contributions and investment returns. Employers and employees pay contributions equally to the CPP. Self-employed workers pay the full amount.

The CPP was initially designed to be financed on a pay-as-you-go basis, which means that the Plan would operate on a current basis with pensions and benefits being paid out of current contributions. With changes made to the Act in 1997, the CPP is now intended to be funded on a "steady-state" basis – that is, combined employer-employee contributions of 9.9 percent of pensionable earnings. While the net asset value does not cover the actuarial present value of accrued pensions and benefits, it is expected to provide a capitalization level of 25 percent of the Plan's liability by the year 2025 as per the last triennial Actuarial Report issued in 2007.

The CPP Act stipulates that an actuarial report shall be prepared every three years for purposes of the review of the financial state of the CPP by the Minister of Finance and his provincial counterparts. The most recent triennial report, the Twenty-third Actuarial Report of the Chief Actuary as at December 31, 2006, was tabled in Parliament on October 29, 2007. The report concluded that the CPP is financially sound and the 9.9 percent combined employee-employer contribution rate reached in 2003 is expected to be sufficient to sustain the Plan in the face of an aging population.

A number of assumptions such as long term rate of return on assets, inflation rate, mortality rates, increase in salary and benefit rates, among other things, were used in the Twenty-third Actuarial Report. These assumptions reflect best estimates of future economic and demographic events. The next triennial actuarial report as at December 31, 2009 is expected to be completed by December 2010.

(c) Net assets of the Plan

The net assets of the Plan are comprised of the deposit with the Receiver General for Canada and investments held by the CPPIB. They represent funds accumulated for the payment of pensions, benefits and operating expenses.

As at March 31, 2010, the value of the Plan's net assets is \$131.4 billion (2009 – \$110.0 billion). This amount represents approximately 4.3 times the total of pensions and benefits in 2010 (2009 – 3.8 times). According to the Twenty-third Actuarial Report, this is expected to grow to 5.5 times by 2019 and remain somewhat stable as the baby boom generation retires between 2015 and 2030.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(d) Pensions and benefits

Retirement pensions – A retirement pension is payable to each contributor at age 60 or older, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum new monthly pension payable at age 65 in 2010 is $934.17 (2009 – $908.75).

Disability benefits – A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The amount of the disability benefit to be paid includes a flat-rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum new monthly disability benefit in 2010 is $1,126.76 (2009 – $1,105.99).

Survivor's benefits – A survivor's benefit is payable to the spouse or common-law partner (the beneficiary) of a deceased contributor, according to the provisions of the Act. For a beneficiary under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A beneficiary between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For beneficiaries aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum new monthly benefit payable to a beneficiary in 2010 is $560.50 (2009 – $545.25).

Disabled contributor's child and orphan benefits – According to the provisions of the Act, each child of a contributor who is receiving disability benefits or a child of a deceased contributor is entitled to a benefit as long as the child is under the age of 18, or is between the ages of 18 and 25 and attending school full-time. The flat-rate monthly benefit in 2010 is $214.85 (2009 – $213.99).

Death benefits – According to the provisions of the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts to either 10 percent of the maximum pensionable earnings in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 2010 is $2,500 (2009 – $2,500).

Pensions and benefits indexation – As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 2010 is 0.4 percent (2009 – 2.5 percent).

2. Significant accounting policies

(a) Basis of presentation

These financial statements are presented on a consolidated basis. They include the consolidated net assets, the consolidated changes in net assets and the consolidated cash flow of the CPP and the CPPIB. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for the public sector and conform to the disclosure and accounting requirements of the CPP Act.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

(b) Changes in accounting policies

Financial Instruments – Disclosures

The CPP uses fair value for the preparation of its consolidated financial statements. The CPPIB uses Canadian GAAP for the private sector. Effective for the March 31, 2010 annual Consolidated Financial Statements, the CPPIB adopted the amended CICA section 3862, *Financial Instruments – Disclosures*, which enhance the disclosures regarding fair value measurement and liquidity risk. These new standards prescribe the classification of fair value measurement in accordance with a fair value hierarchy that reflects the significance of the inputs used in determining the fair value of financial instruments (see Note 6). The new standards are for disclosure purposes only and do not impact the CPP's financial position or results of operations.

(c) Valuation of investments, investment receivables and investment liabilities

Investments, investment receivables and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of the consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets. These valuation techniques include using recent arm's length market transactions, if available, or current fair value of another investment that is substantially the same, discounted cash flow analysis, option pricing models and other accepted industry valuation methods.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

Fair value is determined as follows:

i. Fair value for publicly-traded equities is based on quoted market prices. Where market prices are not available or reliable, such as for those securities that are not sufficiently liquid, fair value is determined using accepted industry valuation methods.

ii. Fair value for fund investments is generally based on the net asset value as reported by the external managers of the funds or other accepted industry valuation methods.

iii. Private equity and infrastructure investments are either held directly or through ownership in limited partnership arrangements. The fair value for investments held directly is determined using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly-traded companies, discounted cash flows using current market yields of instruments with similar characteristics and third party transactions, or other events which would suggest a change in the value of the investment. In the case of investments held through a limited partnership, fair value is generally determined based on relevant information reported by the General Partner using similar accepted industry valuation methods.

iv. Fair value for marketable bonds is based on quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.

v. Fair value for non-marketable Canadian government bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.

vi. Fair value for direct investments in private debt is calculated using quoted market prices or accepted industry valuation methods such as discounted cash flows based on current market yields of instruments with similar characteristics.

vii. Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

viii. Fair value for public real estate investments is based on quoted market prices.

ix. Fair value for private real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on private real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics.

x. Fair value for inflation-linked bonds is based on quoted market prices.

xi. Fair value for exchange-traded derivatives, which include futures, options and warrants, is based on quoted market prices. Fair value for over-the-counter derivatives, which include swaps, options, forward contracts and warrants, is determined based on the quoted market prices for the underlying instruments where available. Otherwise, fair value is based on other accepted industry valuation methods using inputs such as equity prices and indices, broker quotations, market volatilities, currency exchange rates, current market interest rate yields, credit spreads and other market-based pricing factors. In determining fair value, consideration is also given to liquidity risk and the credit risk of the counterparty.

xii. Debt financing liabilities are recorded at the amount originally issued, which, together with accrued interest expense, approximates fair value due to its short-term nature.

(d) Contributions

Contributions include CPP contributions earned for the year. The Canada Revenue Agency (CRA) collects contributions and measures them using the assessment of tax returns. In determining the amount of contributions earned for the year, the CRA considers cash received and contributions assessed, and makes an estimate for contributions related to tax returns not yet assessed. This estimate is subject to review and adjustments. Adjustments, if any, are recorded as contributions in the year they are known.

(e) Investment income

Income from investments is recognized on an accrual basis and includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income, interest income and net operating income from private real estate investments. Dividend income is recognized on the ex-dividend date which is when the CPP's right, through CPPIB, to receive the dividend has been established. Interest income is recognized using the effective interest rate method. Distributions received from limited partnerships and funds are recognized as interest income, dividend income, realized gains and losses from investments or return of capital, as appropriate.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(f) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. Transaction costs are expensed as incurred and recorded as a component of net investment income.

(g) Investment management fees

Investment management fees are paid to investment managers for externally managed investments. Investment management fees are expensed as incurred and recorded as a component of net investment income.

(h) Securities sold under repurchase agreements and purchased under reverse repurchase agreements

Securities sold under repurchase agreements represent the sale of securities effected with a simultaneous agreement to buy them back at a specified price at a specified future date and are accounted for as an investment liability. The securities sold continue to be recognized as an investment of the CPP with any changes in fair value recorded as net gain (loss) on investments (see Note 10). Securities purchased under reverse repurchase agreements represent the purchase of securities effected with a simultaneous agreement to sell them back at a specified price at a specified future date and are accounted for as an investment receivable. These securities are not recognized as an investment of the CPP. The fair value of securities to be resold under these reverse repurchase agreements is monitored and additional collateral is obtained when appropriate to protect against credit exposure. In the event of counterparty default, the CPP, through CPPIB, has the right to liquidate the collateral held. Repurchase and reverse repurchase agreements are carried on the Consolidated Schedule of Investments at the amounts at which the securities were initially acquired or sold. Interest incurred on repurchase agreements and interest earned on reverse repurchase agreements are included in investment income (see Note 10).

(i) Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in net gain (loss) in net investment (loss) (See Note 10).

(j) Pensions and benefits

Pensions and benefits expenses are recorded when payable or reasonably estimated.

(k) Tax deductions due to Canada Revenue Agency

Tax deductions due to CRA consist primarily of voluntary and non-resident taxes withheld from pensions and benefit payments to CPP beneficiaries.

(l) Net overpayments

Net overpayments are comprised of overpayments of pensions and benefits that were established during the year less remissions of debts granted.

(m) Operating expenses

Operating expenses are recorded as incurred.

(n) Measurement uncertainty

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") for the public sector requires management to make certain estimates and assumptions that affect the reported values of assets and liabilities as at the date of the financial statements and income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated contributions, allowance for doubtful accounts, contingent liabilities and fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the impact of future events. Actual results could differ from those estimates.

(o) Future changes in accounting standards

International financial reporting standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards ("IFRS"). For the CPPIB, IFRS will be effective for interim and annual periods commencing April 1, 2011, including the disclosure of prior year comparative figures. In June 2010, the AcSB issued an exposure draft proposing that investment companies currently applying AcG-18, such as the CPPIB, be given a one year deferral from adopting IFRS. Should the proposal in the exposure draft be approved, the CPPIB would be required to adopt IFRS effective for interim and annual periods commencing April 1, 2012.

The CPPIB has developed an IFRS conversion plan and has identified the major differences between existing Canadian GAAP and IFRS. The CPPIB continues to monitor emerging and new standards.

The CPP will assess the impact of the CPPIB's change in accounting framework on its consolidated financial statements and will review any restatements made to CPPIB's information.

Introduction to Public Sector Accounting (PSA) Handbook – Government Organizations

In December 2009, the Public Sector Accounting Board ("PSAB") issued an amendment to the Introduction to Public Sector Accounting Standards of the PSA Handbook. As a result of this amendment, many entities are required to re-assess their classification.

In light of these changes, the CPP is presently reviewing its classification and is reassessing its accounting framework and basis of presentation. The impact of such changes, if any, on the CPP consolidated financial statements cannot be determined at this time.

3. Cash

Cash consists of the total cash held by the CPP Account and the CPPIB. The CPP Account was established in the accounts of Canada by the CPP Act to record the contributions, interest, pensions, benefits and operating expenses of the Plan. It also records the amounts transferred to or received from the CPPIB. As at March 31, 2010, the deposit with the Receiver General for Canada in the CPP Account is $175 million (2009 - $90 million) and CPPIB's cash is $5 million (2009 - $5 million) for a total of $180 million (2009 - $95 million) in the Consolidated Statement of Net Assets and the Consolidated Statement of Cash Flow.

4. Receivables

Receivables are comprised of the following:

	2010	2009
	(in millions of dollars)	
Contributions	3,854	4,662
Régime de rentes du Québec	96	98
Beneficiaries		
Balance of pensions and benefits overpayments	111	98
Allowance for doubtful accounts	(72)	(62)
	3,989	4,796

Contributions receivable represent the estimated amount to be collected from CRA relating to contributions earned at year-end and adjusted for tax returns not yet assessed.

The CPP has procedures to detect overpayments. During the year, overpayments totalling $53 million (2009 – $31 million) were established and debts totalling $3 million (2009 – $3 million) were forgiven as per the remission provisions of the CPP Act. A further $37 million (2009 – $24 million) was recovered through collection of payments and withholdings from beneficiaries.

5. Investment activities risk management

The CPPIB is exposed to a variety of financial risks as a result of its investment activities. These risks are market risk, credit risk and liquidity risk. The CPPIB manages and mitigates financial risks through the Risk/Return Accountability Framework that is contained within the investment policies approved by the Board of Directors at least once every fiscal year. This framework contains risk limits and risk management provisions that govern investment decisions and has been designed to achieve the mandate of the CPPIB which is to invest its assets with a view to achieving a maximum rate of return, without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

Included within the Risk/Return Accountability Framework is an active risk limit which represents a limit on the amount of investment risk that the CPPIB can take relative to the CPP Reference Portfolio. The CPP Reference Portfolio is approved by the Board of Directors and serves as a performance benchmark against which the CPPIB's value-added activities are measured. It represents a low-cost strategic alternative to the CPP Investment Portfolio. The objective of the CPPIB is to create value-added investment returns greater than the returns that would be generated by the CPP Reference Portfolio. The CPPIB monitors the active risk in the CPP Investment Portfolio daily and reports active risk exposures to the Board of Directors at least on a quarterly basis.

i. Market Risk:

Market risk (including currency risk, interest rate risk and equity price risk) is the risk that the fair value or future cash flows of an investment or investment liability will fluctuate because of changes in market prices and rates. As discussed above, the CPPIB manages market risk through the Risk/Return Accountability Framework. This includes investing across a wide spectrum of asset classes and investment strategies to earn a diversified risk premium at the total Fund level, based on risk limits established in the investment policies. In addition, derivatives are used, where appropriate, to manage certain market risk exposures (See Note 7f). Market risk is comprised of the following:

Currency Risk: The CPPIB is exposed to currency risk through holdings of investments or investment liabilities in various currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value and future cash flows of these investments and investment liabilities.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

In Canadian dollars, the net underlying currency exposures, after allocating foreign currency derivatives, as at March 31 are as follows:

	2010		2009	
Currency	Net exposure	% of total	Net exposure	% of total
	(in millions of dollars)			
United States Dollar	35,121	55	25,698	57
Euro	9,936	15	7,988	18
Japanese Yen	5,365	8	3,907	9
British Pound Sterling	4,430	7	2,436	5
Australian Dollar	2,345	4	875	2
Hong Kong Dollar	1,537	2	1,363	3
Swiss Franc	1,432	2	505	1
Other	4,292	7	2,099	5
	64,458	100	44,871	100

Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market interest rates. The CPPIB's interest bearing investments are exposed to interest rate risk.

Equity Price Risk: Equity price risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

In addition to the above, the CPPIB is indirectly exposed to market risk on the underlying securities of fund investments.

Value at Risk:

CPPIB uses Value at Risk ("VaR") methodology to monitor market risk exposure in the CPP Investment Portfolio. VaR is a statistical technique that is used to estimate the potential loss in value of an investment as a result of movements in market rates and prices over a specified time period and for a specified confidence level. The VaR calculated by the CPPIB is estimated using a historical simulation method, incorporating the most recent 10 years of weekly market returns, evaluated at a 90 percent confidence level and scaled to a one-year holding period.

VaR is valid under normal market conditions and does not specifically consider losses arising from severe market events. It also assumes that historical market data is a sound basis for estimating potential future losses. If future market conditions and interrelationships of interest rates, foreign exchange rates and market prices differ significantly from those of the past, then the actual losses could materially differ from those estimated. The VaR measure provides an estimate of a single value in a distribution of potential losses that the CPP Investment Portfolio could experience. It is not an estimate of the worst case scenario.

Other assumptions under the historical simulation method for estimating VaR include:

- An estimate for VaR at a one-year holding period can be derived from a simulation based on weekly market returns by using a time-based scaling factor;
- Incorporating the most recent 10 years of market data is sufficient to reasonably estimate the potential loss in value at a 90 percent confidence level; and
- The public market proxies used to represent private market investment returns (e.g. those for private real estate and private equities) are reasonable for estimating their contribution to the VaR.

The CPPIB monitors the active risk of the CPP Investment Portfolio relative to the CPP Reference Portfolio. Changes in active risk are largely independent of changes in VaR in the CPP Reference Portfolio and CPP Investment Portfolio.

As at March 31, VaR at a 90 percent confidence level indicates that one year in 10 the portfolio can be expected to lose at least the following amounts:

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

	2010	
	VaR	% of CPP investment portfolio [1]
	(in millions of dollars)	
CPP reference portfolio	12,998	10.2
CPP investment portfolio active risk	1,583	1.2
CPP investment portfolio[2]	13,487	10.6

	2009	
	VaR	% of CPP investment portfolio [1]
	(in millions of dollars)	
CPP reference portfolio	10,370	9.7
CPP investment portfolio active risk	1,720	1.6
CPP investment portfolio[2]	11,351	10.6

[1] Excludes certain assets where the market risk exposure is not monitored using VaR, such as the assets of the Cash for Benefits Portfolio which is a separately managed short-term cash management program designed to facilitate monthly benefit payments by the CPP.

[2] CPP Investment Portfolio VaR is less than the sum of the CPP Reference Portfolio VaR and CPP Investment Portfolio Active Risk due to the beneficial impact of risk diversification.

ii. Credit Risk:

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations or a reduction in the value of the assets due to a decline in the credit quality of the borrower, counterparty, guarantor or the assets (collateral) supporting the credit exposure. The CPPIB's most significant exposure to credit risk is its investment in debt securities and over-the-counter derivatives (as discussed in Note 7f). The carrying amounts of these investments as presented in the Consolidated Schedule of Investments represent the maximum credit risk exposure at the balance sheet date.

Oversight for credit risk resides with the CPPIB's Credit Committee, a sub-committee of their Investment Planning Committee ("IPC"), which is chaired by their Chief Operations Officer. The IPC, chaired by the President and Chief Executive Officer is accountable for monitoring and managing the total portfolio strategic risk exposures and providing strategic direction to the investment departments. The Credit Committee advises the IPC on the total portfolio exposure to credit risk and whether changes are warranted in the allocation of credit risk within the overall limits established by their Board of Directors. The Credit Committee ensures that the credit risks are identified, measured and monitored regularly and communicated at least monthly to the IPC and at least quarterly to the Board of Directors. Credit risk measurement and reporting are performed by professional risk managers within CPPIB's Investment Risk Management group ("IRM"). IRM provides qualitative and quantitative analysis and oversight of credit risk, monitoring exposure limits, augmented by detailed analysis of single-name and sector exposures. Credit VaR is the common measure of credit risk across all investment strategies. IRM works closely with the investment departments to provide an evaluation of the credit risk created by significant transactions. Detailed reports of credit risk and counterparty exposures are provided weekly to CPPIB's management and at least monthly to their Credit Committee and their IPC.

The CPPIB manages credit risk by setting overall credit exposure limits by credit rating category. The Board of Directors approves the credit exposure limits at least once every fiscal year. Counterparties are assigned a credit rating as determined by a recognized credit rating agency, where available, and/or as determined through an internal credit rating process. Where the internal credit rating is lower than the rating determined by a recognized credit rating agency, the internal credit rating will prevail. Credit exposure to any single counterparty is limited to maximum amounts as specified in the investment policies. The Credit Committee has also established single-name sub-limits within the credit exposure limits to mitigate risks arising from concentrated exposures to certain counterparties. IRM measures and monitors sub-limits and credit exposure limits daily for compliance and reports to the Credit Committee and IPC at least monthly, or more frequently as necessary.

The fair value of debt securities and over-the-counter derivatives exposed to credit risk, by credit rating category and without taking account of any collateral held or other credit enhancements as at March 31 are as follows:

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(in millions of dollars)

	2010						
Credit Rating	Bonds(1)(2)	Money market securities(1)	Reverse repurchase agreements(1)(3)	Over-the-counter derivatives	Direct investments in private debt(1)	Total	% of Total
AAA/R-1 (high)	16,745	11,281	1,501	423		29,950	54
AA/R-1 (mid)	16,379	2,052		211		18,642	33
A/R-1 (low)	3,262		2,502	28		5,792	10
BBB/R-2 (low)	500					500	1
BB/R-3	253				250	503	1
B					667	667	1
CCC					5	5	
	37,139	13,333	4,003	662	922	56,059	100

(in millions of dollars)

	2009						
Credit Rating	Bonds(1)(2)	Money market securities(1)	Reverse repurchase agreements(1)(3)	Over-the-counter derivatives	Direct investments in private debt(1)	Total	% of Total
AAA/R-1 (high)	8,257	11,634		598		20,489	44
AA/R-1 (mid)	15,627	2,286		172		18,085	39
A/R-1 (low)	4,127		4,003	31		8,161	17
BBB/R-2 (low)	229					229	
BB/R-3							
B							
CCC							
	28,240	13,920	4,003	801		46,964	100

(1) Includes accrued interest.

(2) Includes inflation-linked bonds.

(3) As at March 31, 2010, fixed income securities with a fair value of $4,088 million (2009 – $4,084 million) and an AAA credit rating were received as collateral which mitigates the credit risk exposure on the reverse repurchase agreements (see Note 7h).

Credit risk exposure on over-the-counter derivatives is mitigated through the use of master netting arrangements and collateral. Master netting arrangements are entered into with all counterparties so that, if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. Credit support annexes are negotiated with certain counterparties and require that collateral, in the form of cash or fixed income securities, be provided to the CPPIB when the positive fair value of the derivative contract exceeds certain threshold amounts. As at March 31, 2010, master netting arrangements and collateral held reduced the credit risk exposure to over-the-counter derivatives from $662 million to $455 million (2009 – $801 million to $432 million).

In addition to the above, the CPPIB is indirectly exposed to credit risk on the underlying securities of fund investments.

iii. Liquidity Risk:

Liquidity risk is the risk of being unable to generate sufficient cash or its equivalent in a timely and cost-effective manner to meet investment commitments and investment liabilities as they come due. The CPPIB mitigates liquidity risk through its unsecured credit facilities (see Note 8) available in the amount of $1.5 billion (2009 - $1.5 billion) and the ability to readily dispose of certain investments that are traded in an active market. These include a liquid portfolio of publicly-traded equities, money market securities, marketable bonds and inflation-linked bonds.

The CPPIB is also exposed to liquidity risk through its responsibility for providing cash management services to the CPP (see Note 12). In order to manage liquidity risk associated with this short-term cash management program, the assets required for this purpose are segregated from the investment portfolio and separately managed as the Cash for Benefits Portfolio. Liquidity risk is also managed by investing these assets in liquid money market instruments with the primary objective of ensuring that the CPP has the necessary liquidity to meet benefit payment obligations on any business day.

6. Fair value measurement

(a) The following table shows investments and investment liabilities recognized at fair value, analyzed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (non-observable inputs) (Level 3).

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(in millions of dollars)

	Basis of Fair Value Determination			
	March 31, 2010			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Canada				
Public equities	8,551		2	8,553
Private equities			985	985
	8,551		987	9,538
Foreign developed markets				
Public equities[1]	22,623	1,509	482	24,614
Private equities	688		13,877	14,565
	23,311	1,509	14,359	39,179
Emerging markets				
Public equities[1]	4,254	641		4,895
Private equities			512	512
	4,254	641	512	5,407
Total equities	36,116	2,150	15,858	54,124
Fixed Income				
Bonds	13,436	22,213		35,649
Other debt		671	2,855	3,526
Money market securities		14,068		14,068
Total Fixed Income	13,436	36,952	2,855	53,243
Absolute Return Strategies		638	2,233	2,871
Inflation-Sensitive Assets				
Private real estate			7,982	7,982
Infrastructure	981		4,840	5,821
Inflation-linked bonds	904			904
Total Inflation-Sensitive Assets	1,885		12,822	14,707
Investments Receivables				
Securities purchased under reverse repurchase agreements		4,000		4,000
Accrued interest		594		594
Derivatives receivable	161	594	5	760
Dividends receivable		178		178
Total Investment Receivables	161	5,366	5	5,532
Total Investment	51,598	45,106	33,773	130,477
Investment Liabilities				
Debt financing liabilities		(1,303)		(1,303)
Debt on private real estate properties		(947)		(947)
Derivative liabilities	(20)	(249)		(269)
Total Investment Liabilities	(20)	(2,499)		(2,519)
Amounts receivable from pending trades		9,813		9,813
Amounts payable from pending trades		(10,086)		(10,086)
Net Investments	51,578	42,334	33,773	127,685

[1] Includes investments in funds.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(b) Transfers between Level 1 and Level 2

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2010.

(c) Level 3 reconciliation

The following table presents a reconciliation for investments included in Level 3 of the fair value hierarchy for the year ended March 31, 2010.

(in millions of dollars)

	Fair value as at April 1, 2009	Gains (losses) included in net investment income (loss)	Purchases	Sales [1]	Transfers into Level 3	Transfers out of Level 3	Fair value as at March 31, 2010	Change in unrealized gains (losses) on investments still held at March 31, 2010
Investments								
Equities								
Canada								
Public equities	17	(15)					2	(15)
Private equities	775	96	239	(125)			985	55
	792	81	239	(125)			987	40
Foreign developed markets								
Public equities[2]	360	122					482	122
Private equities	13,056	(1,187)	3,521	(867)		(646)	13,877	(1,368)
	13,416	(1,065)	3,521	(867)		(646)	14,359	(1,246)
Emerging markets								
Private equities	240	42	232	(2)			512	45
	240	42	232	(2)			512	45
Total equities	14,448	(942)	3,992	(994)		(646)	15,858	(1,161)
Fixed Income								
Other debt	530	231	554	(1)	1,541		2,855	968
Total Fixed Income	530	231	554	(1)	1,541		2,855	968
Absolute Return Strategies	1,301	(226)	1,520	(362)			2,233	(264)
Inflation-Sensitive Assets								
Private real estate	7,610	(1,194)	1,669	(103)			7,982	(1,194)
Infrastructure	3,709	(660)	1,849	(58)			4,840	(641)
Total Inflation-Sensitive Assets	11,319	(1,854)	3,518	(161)			12,822	(1,835)
Investments Receivables								
Derivatives receivable	190	(63)				(122)	5	5
Total Investment Receivables	190	(63)				(122)	5	5
	27,788	(2,854)	9,584	(1,518)	1,541	(768)	33,773	(2,287)

[1] Includes return of capital.

[2] Consists of investments in funds.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

Gains (losses) included in net investment income (loss) for the year ended March 31, 2010 are presented as net gain (loss) on investments (see Note 10).

Investments were transferred from Level 3 to Level 1 as these investments became listed on an active market for which quoted market prices were obtained.

Investments were transferred from Level 2 to Level 3 as these investments are now valued using valuation techniques using inputs based on non-observable market data.

Direct investments in private equities, infrastructure, private real estate, private debt and certain derivatives have fair values derived primarily from assumptions based on non-observable market data. The fair value of these direct investments is based on accepted industry valuation methods that may include the use of estimates made by management, appraisers or both where significant judgment is required. By using valuation methods based on reasonable alternative assumptions, different fair values at March 31, 2010 could result. Management has determined that the potential impact on fair values using these reasonable alternative assumptions would not be significant. .

7. Investments and investment liabilities

As stated in Note 1, the role of the CPPIB is to invest the assets with a view to achieving a maximum rate of return without undue risk of loss, with regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day. To achieve their mandate, the CPPIB has established investment policies in accordance with its regulations. These set out the manner in which their assets shall be invested and their financial risks managed and mitigated through the Risk/Return Accountability Framework.

(a) Equities

i. Public equity investments are made directly or through funds. As at March 31, 2010, public equities include fund investments with a fair value of $2,631 million (2009 – $1,730 million).

ii. Private equity investments are generally made directly or through ownership in limited partnership arrangements which have a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. As at March 31, 2010, private equities include direct investments with a fair value of $3,997 million (2009 – $2,906 million).

(b) Fixed income

i. Bonds consist of marketable and Canadian government non-marketable bonds.

The non-marketable bonds issued by the provinces prior to 1998 have rollover provisions attached to them by the Act which permit each issuer, at their option, to roll over the bonds on maturity for a further 20-year term at a rate based on capital markets borrowing rates for that province existing at the time of rollover. The non-marketable bonds are also redeemable before maturity at the option of the issuers.

In lieu of exercising its statutory rollover right described in the preceding paragraph, agreements between the CPPIB and the provinces permit each province to repay the bond and concurrently cause the CPPIB to purchase a replacement bond or bonds in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions that permit the issuer, at its option, to roll over the bond for successive terms of not less than five years and are subject in all cases to the maximum 30 years outside the maturity date. The replacement bonds are also redeemable before maturity at the option of the issuers.

The terms to maturity of the marketable and non-marketable bonds, not including any rollover options or accrued interest, as at March 31 are as follows:

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

TERMS TO MATURITY
(in millions of dollars)

	2010						2009	
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
Marketable bonds								
Government of Canada		2,046	756	800	3,602	3.4%	869	2.9%
Canadian provincial governments		770	656	1,046	2,472	4.4%	955	4.6%
Canadian government corporations		2,463	411	344	3,218	3.5%	1,971	3.3%
Foreign governments	80	1,510	1,012	555	3,157	2.6%		
Corporate bonds	1	431	539	16	987	4.6%	455	7.8%
Total marketable bonds	81	7,220	3,374	2,761	13,436		4,250	
Non-marketable bonds								
Government of Canada	434	30			464	0.8%	584	0.9%
Canadian provincial governments	1,708	4,694	2,316	13,031	21,749	4.5%	22,081	4.6%
Total non-marketable bonds	2,142	4,724	2,316	13,031	22,213		22,665	
	2,223	11,944	5,690	15,792	35,649	4.1%	26,915	4.5%

ii. Other debt instrument consists of investments in distressed mortgage and private debt funds and direct investments in private debt. The terms to maturity of the direct investments in private debt as of March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

	2010						2009	
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
Leveraged Loans		698	217		915	7.5%		

(c) Absolute return strategies

Absolute return strategies consist of investments in funds whose objective is to generate positive returns regardless of market conditions, that is, returns with a low correlation to broad market indices. The underlying securities of the funds could include, but are not limited to, equities, fixed income securities and derivatives.

(d) Inflation-sensitive assets

i. The CPPIB obtains exposure to real estate through investments in publicly-traded securities, funds and privately held real estate.

Private real estate investments are held by wholly-owned subsidiaries and are managed on behalf of the CPPIB by investment managers through co-ownership arrangements. As at March 31, 2010, the subsidiaries' share of these investments includes assets of $7,982 million (2009 – $7,610 million) and $947 million of secured debt (2009 – $930 million). The term to maturity of the undisclosed principal repayments of the secured debt at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

	2010							2009		
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Fair value	Weighted average interest rate	Total	Fair value	Weighted average interest rate
Debt on private real estate properties	444	337	189	120	1,090	947	6.0%	1,011	930	6.6%

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

Included in the private real estate are investments in joint ventures. The CPPIB's proportionate interest in joint ventures is summarized as follows:

As at March 31	2010	2009
	(in millions of dollars)	
Proportionate share of net assets		
Assets	5,259	4,860
Liabilities	(947)	(930)
	4,312	3,930

For the year ended March 31	2010	2009
	(in millions of dollars)	
Proportionate share of net income		
Revenue	584	567
Expenses	(364)	(363)
	220	204

ii. Infrastructure investments are generally made directly, but can also occur through limited partnership arrangements that have a typical term of 10 years. As at March 31, 2010, infrastructure includes direct investments with a fair value of $4,395 million (2009 – $3,154 million).

iii The term to maturity of the inflation-linker bonds as at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

	2010						2009	
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
Inflation-linked bonds		141	117	646	904	3.4%	775	2.8%

(e) Securities sold under repurchase agreements and purchased under reverse repurchase agreements

As at March 31, 2010, securities sold under repurchase agreements are $nil (2009 - $99 million). The terms to maturity of the securities purchased under reverse repurchase agreements as at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

	2010						2009	
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Average effective yield	Total	Average effective yield
Securities purchased under reverse repurchase agreements	1,500	2,500			4,000	1.9%	4,000	2.1%

(f) Derivative contracts

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indices, interest rates, currency exchange rates or other market-based factors. Derivatives are transacted through regulated exchanges or are negotiated in over-the-counter markets.

Notional amounts of derivative contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts. They are not recorded as assets or liabilities on the Consolidated Statement of

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

Net Assets. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from a derivative contract.

The fair value of these contracts is reported as derivative receivables and derivative liabilities on the Consolidated Schedule of Investments.

The CPPIB uses derivatives to generate value-added investment returns and to limit or adjust market, credit, interest rate, currency, and other financial exposures without directly purchasing or selling the underlying instrument.

(i) The CPPIB uses the following types of derivative instruments as described below:

Equity contracts

Equity futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of an equity index, a basket of stocks, or a single stock at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Equity swaps are over-the-counter contracts in which one counterparty agrees to pay or receive from the other, cash flows based on changes in the value of an equity index, a basket of stocks, or a single stock in exchange for a return based on a fixed or floating interest rate or the return on another instrument.

Variance swaps are over-the-counter contracts where cash flows are exchanged based on the realized variance of an equity index, a basket of stocks, or a single stock compared to the fixed strike level specified in the contract.

Equity options are contractual agreements where the seller (writer) gives the purchaser the right, but not the obligation, to buy or sell a specified quantity of an equity index, a basket of stocks, or a single stock at or before a specified future date at a predetermined price. The seller receives a premium from the purchaser for this right. The CPPIB purchases (buys) and writes (sells) equity options. Equity options may be transacted in standardized amounts on regulated exchanges or customized in over-the-counter markets.

Warrants are transacted both over-the-counter and through exchanges where the issuer gives the purchaser the right, but not the obligation, to buy a specified quantity of stock of the issuer at or before a specified future date at a predetermined price.

Foreign exchange contracts

Foreign exchange forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of foreign currencies at a predetermined price and date in the future. These contracts result in a fixed future foreign exchange rate for a period of time.

Interest rate contracts

Bond futures are standardized contracts transacted on an exchange to purchase or sell a specified quantity of a bond index, a basket of bonds, or a single bond at a predetermined price and date in the future. Futures contracts may be cash-settled or require physical delivery of the underlying asset.

Interest rate forwards are customized over-the-counter contracts negotiated between counterparties to either purchase or sell a specified amount of an interest rate sensitive financial instrument at a predetermined price and date in the future. These contracts result in a fixed future interest rate for a period of time.

Bond and inflation-linked bond swaps are over-the-counter contracts in which counterparties exchange the return on a bond, inflation-linked bond or group of such instruments for the return on a fixed or floating interest rate or the return on another instrument.

Interest rate swaps are over-the-counter contracts where counterparties exchange cash flows based on different interest rates applied to a notional amount in a single currency. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate on a specified notional amount. No exchange of notional amount takes place. Cross-currency interest rate swaps involve the exchange of both interest and notional amounts in two different currencies.

Credit contracts

Credit default swaps are over-the-counter contracts that transfer the credit risk of an underlying financial instrument (referenced asset) from one counterparty to another. The CPPIB purchases credit default swaps that provide protection against the decline in value of an underlying financial instrument (referenced asset) as a result of a specified credit event such as default or bankruptcy. The purchaser pays a premium to the seller in return for payment contingent on a credit event affecting the referenced asset.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(ii) Derivative-related risk

The primary risk associated with derivatives are:

Market risk

Derivatives generate value, positive or negative, as the value of underlying assets, indices, interest rates, currency exchange rates, or other market-based factors change such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and remaining period to expiry. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

The derivative-related market risk is a component of the total portfolio market risk which is managed through the Risk/Return Accountability Framework as described in Note 5.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of the failure of a counterparty to meet its obligations to the CPPIB. The maximum exposure to credit risk is represented by the positive fair value of the derivative instrument and is normally a small fraction of the contract's notional amount. Negotiated over-the-counter derivatives generally present greater credit exposure than exchange-traded contracts. Credit risk on exchange-traded contracts is limited, as these transactions are executed on regulated exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligation of the writer of a contract and guarantees their performance.

The CPPIB limits credit risk on over-the-counter contracts through a variety of means including dealing only with authorized counterparties of a minimum credit rating and limiting the maximum exposures to any individual counterparty, the use of master netting agreements and collateral as discussed in Note 5.

(iii) The fair value of derivative contracts held is as follows:

(in millions of dollars)

	As at March 31, 2010			For the year ended March 31, 2010	
	Positive fair value	Negative fair value	Net fair value	Average positive fair value[1]	Average negative fair value[1]
Equity contracts					
Equity futures	1	(19)	(18)	17	(30)
Equity swaps	340	(86)	254	455	(220)
Variance swaps	42	(23)	19	19	(67)
Exchange-traded purchased options	1	(1)		1	(35)
Over-the-counter written options		(57)	(57)		(44)
Warrants	164		164	150	
Total equity contracts	548	(186)	362	642	(396)
Foreign exchange contracts					
Forwards	159	(56)	103	223	(162)
Total foreign exchange contracts	159	(56)	103	223	(162)
Interest rate contracts					
Bond futures				1	(1)
Interest rate forwards					
Bond swaps	2		2	3	(4)
Inflation-linked bond swaps	78		78	55	(6)
Interest rate swaps	17	(9)	8	20	(4)
Cross-currency interest rate swaps	10		10	2	(159)
Total interest rate contracts	107	(9)	98	81	(174)
Credit contracts					
Credit default swaps	14	(18)	(4)	8	(10)
Total credit contracts	14	(18)	(4)	8	(10)
	828	(269)	559	954	(742)
Less: Cash collateral received under derivative contracts	(68)		(68)		
	760	(269)	491	954	(742)

(1) Determined using month-end values.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(in millions of dollars)

	As at March 31, 2009			For the year ended March 31, 2009	
	Positive fair value	Negative fair value	Net fair value	Average positive fair value[1]	Average negative fair value[1]
Equity contracts					
Equity futures	51	(1)	50	36	(34)
Equity swaps	470	(273)	197	363	(425)
Variance swaps	6	(138)	(132)	4	(84)
Exchanged-traded purchased options					
Over-the-counter written options		(128)	(128)		(99)
Warrants	190		190	172	
Total equity contracts	717	(540)	177	575	(642)
Foreign exchange contracts					
Forwards	122	(165)	(43)	153	(212)
Total foreign exchange contracts	122	(165)	(43)	153	(212)
Interest rate contracts					
Bond futures	1		1		
Interest rate forwards					
Bond swaps	6		6	7	(8)
Inflation-linked bond swaps	193		193	31	(45)
Interest rate swaps	3	(2)	1	3	
Cross-currency interest rate swaps		(412)	(412)		(238)
Total interest rate contracts	203	(414)	(211)	41	(291)
Credit contracts					
Credit default swaps		(1)	(1)		(1)
Total credit contracts		(1)	(1)		(1)
	1,042	(1,120)	(78)	769	(1,146)
Less: Cash collateral received under derivative contracts					
	1,042	(1,120)	(78)	769	(1,146)

[1] Determined using month-end values.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(iv) The terms to maturity and the norional amounts for derivative contracts held as at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

	2010					2009			
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Within 1 year	1 to 5 years	6 to 10 years	Total
Equity contracts									
Equity Futures	5,353				5,353	3,781			3,781
Equity swaps	16,706	2,413			19,119	14,363	1,296		15,659
Variance swaps	90	423	4,536		5,049	3	110	4,877	4,990
Exchange-traded purchased options	40				40				
Over-the-counter written options	214				214		265		265
Warrants	33	437	19		489	59	377	8	444
Total equity contracts	22,436	3,273	4,555		30,264	18,206	2,048	4,885	25,139
Foreign exchange contracts									
Forwards	32,747				32,747	16,597			16,597
Total foreign exchange contracts	32,747				32,747	16,597			16,597
Interest rate contracts									
Bond futures	270				270	379			379
Interest rate forwards									
Bond swaps	338				338	1,469			1,469
Interest-linked bond swaps	3,345			28	3,373	3,099			3,099
Interest rate swaps		939	407	105	1,451		546	46	592
Cross-currency interest rate swaps			133		133	1,477			1,477
Total interest rate contracts	3,953	939	540	133	5,565	6,424	546	46	7,016
Credit contracts									
Credit default swaps		436	348		784		74	25	99
Total credit contracts		436	348		784		74	25	99
	59,136	4,648	5,443	133	69,360	41,227	2,668	4,956	48,851

(g) Debt financing liabilities

The terms to maturity of the undiscounted principal repayments of the debt financing liabilities as at March 31 are as follows:

TERMS TO MATURITY
(in millions of dollars)

	2010						2009		
	Within 1 month	1 to 3 months	3 to 6 months	Total	Fair value	Weighted average interest rate	Total	Fair value	Weighted average interest rate
Commercial paper payable	779	333	191	1,303	1,303	0.3%			

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(h) Collateral

Collateral transactions are conducted under the terms and conditions that are common and customary to collateral arrangements. The net fair value of collateral held and pledged as at March 31 is as follows:

	2010	2009
	(in millions of dollars)	
Fixed income securities held as collateral on reverse repurchase agreements(1)	4,088	4,084
Cash held as collateral on over-the-counter derivative transactions	68	
Fixed income securities pledged as collateral on repurchase agreements		(100)
Secutities pledged as collateral on guarantees (see Note 14c)	(120)	
	4,036	3,984

(1) The total fair value of the collateral held that may be sold or repledged as at March 31, 2010 is $3,923 million (2009 - $3,923 million). The fair value of the securities collateral sold or repledged as at March 31, 2010 is $nil (2009 - $nil).

8. Credit facilities

The CPPIB maintains $1.5 billion (2009 – $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at March 31, 2010, the total amount drawn on the credit facilities is $nil (2009 – $nil).

9. Payables and accrued liabilities

Payables and accrued liabilities are comprises of the following:

	2010	2009
	(in millions of dollars)	
Operation expenses	131	124
Pensions and benefits payable	224	229
Tax deductions due to Canada Revenue Agency	120	115
	475	468

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

10. Net investment income (loss)

Net investment income (loss) is reported net of transaction costs and investment management fees.

Net investment income (loss) is grouped by asset class based on the intent of the investment strategies of the underlying portfolios. Net investment income (loss), after giving effect to derivative contracts and investments receivables and liabilities for the year ended March 31, is as follows:

(in millions of dollars)

	2010					
	Investment income (loss) (1)	Net gain (loss) on investments (2)(3)(4)	Total investment income (loss)	Investment management fees	Transaction costs	Net investment income (loss)
Equities						
Canada						
Public equities	178	5,707	5,885	(1)	(23)	5,861
Private equities	30	100	130	(17)		113
	208	5,807	6,015	(18)	(23)	5,974
Foreign developed markets						
Public equities	706	6,135	6,841	(37)	(49)	6,755
Private equities	178	(1,175)	(997)	(220)	(7)	(1,224)
	884	4,960	5,844	(257)	(56)	5,531
Emerging markets						
Public equities	115	1,946	2,061	(1)	(2)	2,058
Private equities	1	38	39	(27)		12
	116	1,984	2,100	(28)	(2)	2,070
	1,208	12,751	13,959	(303)	(81)	13,575
Fixed Income						
Bonds	1,320	84	1,404			1,404
Other debt	124	1,337	1,461	(13)	(1)	1,447
Money market securities(5)	108	385	493	(84)	(7)	402
Debt financing liabilities	(2)		(2)			(2)
	1,550	1,806	3,356	(97)	(8)	3,251
Inflation-Sensitive Assets						
Public real estate	7	95	102		(1)	101
Private real estate	406	(1,141)	(735)	(60)	(27)	(822)
Infrastructure	267	(512)	(245)	(6)	(31)	(282)
Inflation-linked bonds	13	382	395			395
	693	(1,176)	(483)	(66)	(59)	(608)
Interest on Operating Balance	1		1			1
	3,452	13,381	16,833	(466)	(148)	16,219

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(in millions of dollars)

	2009					
	Investment income[1]	Net gain (loss) on investments[2][3][4]	Total investment income (loss)	Investment management fees	Transaction costs	Net investment income (loss)
Equities						
Canada						
Public equities	339	(9,012)	(8,673)	(1)	(19)	(8,693)
Private equities	11	(69)	(58)	(11)	(2)	(71)
	350	(9,081)	(8,731)	(12)	(21)	(8,764)
Foreign developed markets						
Public equities	1,617	(12,154)	(10,537)	(28)	(27)	(10,592)
Private equities	57	(2,665)	(2,608)	(222)	(7)	(2,837)
	1,674	(14,819)	(13,145)	(250)	(34)	(13,429)
Emerging markets						
Public equities	3	(101)	(98)	(1)	(6)	(105)
Private equities		(15)	(15)	(25)		(40)
	3	(116)	(113)	(26)	(6)	(145)
	2,027	(24,016)	(21,989)	(288)	(61)	(22,338)
Fixed Income						
Bonds	1,308	638	1,946			1,946
Other debt	2	(1,295)	(1,293)	(13)		(1,306)
Money market securities[5]	100	(314)	(214)	(20)		(234)
Debt financing liabilities						
	1,410	(971)	439	(33)		406
Inflation-Sensitive Assets						
Public real estate	18	(269)	(251)	(8)	(1)	(260)
Private real estate	320	(1,485)	(1,165)	(49)	(11)	(1,225)
Infrastructure	237	(295)	(58)	(5)	(20)	(83)
Inflation-linked bonds	55	(131)	(76)			(76)
	630	(2,180)	(1,550)	(62)	(32)	(1,644)
Interest on Operating Balance	6		6			6
	4,073	(27,167)	(23,094)	(383)	(93)	(23,570)

[1] Includes interest income, dividends, private real estate operating income (net of interest expense), and interest expense on the debt financing liabilities and repurchase agreements.

[2] Includes realized gains and losses from investments, unrealized gains and losses on investments held at the end of the year, and other investment-related expenses.

[3] Includes foreign exchange gains of $10,052 million (2009 – foreign exchange losses of $6,789 million).

[4] Includes net unrealized losses of $1,257 million (2009 - $1,209 million) which represent the change in fair value estimated on direct investments in private equities, infrastructure, private real estate, private debt and certain derivatives, where the fair value is derived primarily from assumptions based on non-observable market data.

[5] Includes absolute return strategies.

11. Operating expenses

	2010	2009
	(in millions of dollars)	
General operating expenses	321	309
Salaries and benefits	393	364
Professional and consulting fees	20	21
	734	694

12. Net assets and changes in net assets for accountability purposes

The administration of the CPP's assets and activities is shared between various government of Canada's departments and the CPPIB. The CPPIB is responsible for investing the majority of the CPP's assets, while the Government of Canada (GoC), through various federal departments, manages the remainder of the assets, as well as the collection of the CPP contributions and the administration and payments of the CPP benefits. For accountability purposes, the following table presents summary information on the levels of assets and liabilities and sources of income and expenses managed by the GoC and the CPPIB respectively.

Canada Pension Plan—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

(in millions of dollars)

	2010			2009		
	Government of Canada	CPP Investment Board	Total	Government of Canada	CPP Investment Board	Total
Assets	4,164	140,336	144,500	4,886	112,486	117,372
Liabilities	374	12,706	13,080	365	6,985	7,350
Net assets	3,790	127,630	131,420	4,521	105,501	110,022
Income (loss)						
Contributions	36,276		36,276	36,506		36,506
Investment income (loss)	1	16,218	16,219	6	(23,576)	(23,570)
	36,277	16,218	52,495	36,512	(23,576)	12,936
Expenses						
Pensions and benefits	30,363		30,363	29,005		29,005
Operating expenses	498	236	734	505	189	694
	30,861	236	31,097	29,510	189	29,699
Increase (decrease) in net assets	5,416	15,982	21,398	7,002	(23,765)	(16,763)

Pursuant to Section 108.1 of the CPP Act and the Agreement dated as of April 1, 2004, amounts not required to meet specified obligations of the CPP are transferred weekly to the CPPIB. The funds originate from employer and employee contributions to the CPP and interest income generated from the deposit with the Receiver General.

In September 2004, the CPPIB assumed responsibility for providing cash management services to the CPP, including periodic return, on at least a monthly basis, of funds required to meet CPP pension, benefits and operating expenses obligations.

During the year ended March 31, 2010, a total of $30.3 billion was transferred to the CPPIB and a total of $24.2 billion was returned to the CPP to meet its liquidity requirements.

ACTIVITIES DURING THE YEAR
(in millions of dollars)

	2010	2009
Canada Pension Plan Investment Board		
Accumulated transfers to CPPIB, beginning of year	182,204	153,073
Transfers of funds to CPPIB	30,308	29,131
Accumulated transfers to CPPIB, end of year	212,512	182,204
Accumulated transfers from CPPIB, beginning of year	(85,282)	(62,714)
Transfers of funds from CPPIB	(24,161)	(22,568)
Accumulated transfers from CPPIB, end of year	(109,443)	(85,282)
Net accumulated transfers to CPPIB	103,069	96,922

13. Commitments

The CPPIB has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at March 31, 2010, the commitments total $18.0 billion (2009 – $23.9 billion).

As at March 31, 2010, the CPPIB is also committed to redeem exchangeable bonds for a subsidiary up to a maximum of $0.2 billion (2009 - $nil) and to provide inter-company loan facilities to certain subsidiaries for up to $0.6 billion (2009 - $nil).

Canada Pension Plan—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Concluded*

As at March 31, 2010, the CPPIB has made lease and other commitments of $39.5 million (2009 - $54.7 million) that will be paid over the next eight years.

14. Contingent liabilities

(a) Appeals relating to the payment of pensions and benefits

At March 31, 2010, there were 7,449 (6,810 in 2009) appeals relating to the payment of CPP disability benefits. These contingencies are reasonably estimated, using historical information, at an amount of $72 million ($71 million in 2009), which was recorded as an accrued liability in the CPP 2009-2010 financial statements.

(b) Other claims and legal proceedings

In the normal course of operations, the CPP is involved in various claims and legal proceedings. While the total amount claimed in these actions may be material, their outcomes are not determinable. The CPP records an allowance for claims and legal proceedings when it is likely that there will be a future payment and a reasonable estimate of the loss can be made. No such allowance was recognized in the financial statements for the 2009-2010 and 2008-2009 fiscal years for these claims and legal proceedings.

(c) Guarantees

As part of certain investment transactions entered into during the year ended March 31, 2010, the CPPIB has agreed to guarantee up to $0.6 billion to other counterparties in the event certain subsidiaries and other entities default under the terms of loan and other related agreements. To date, the CPPIB has not received any claims nor made any payments pursuant to such guarantees.

(d) Indemnifications

The CPPIB provides indemnifications to its officers, directors, certain others and, in certain circumstances, to various counterparties and other entities. The CPPIB may be required to compensate these indemnified parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPPIB from making a reasonable estimate of the maximum potential payments the CPPIB could be required to make. To date, the CPPIB has not received any claims nor made any payments pursuant to such indemnifications.

15. Related party transactions

In addition to the information already disclosed in the other Notes to the Consolidated Financial Statements, the CPP has $3,854 million (2009 – $4,662 million) of contributions receivable from the Canada Revenue Agency.

The CPP enters into transactions with the Government of Canada in the normal course of business, which are recorded at the exchange value. The costs are based on estimated allocations of costs and are charged to the CPP in accordance with various memoranda of understanding.

TRANSACTIONS FOR THE YEAR
(in millions of dollars)

	2010	2009
Pension and benefit delivery, accommodation and corporate services		
Human Resources and Skills Development Canada	329	345
Collection of contributions and investigation services		
Canada Revenue Agency and Royal Canadian Mounted Police	154	146
Cheque issue and computer services		
Public Works and Government Services Canada	13	12
Actuarial services		
Office of the Superintendent of Financial Institutions and Department of Finance	2	2
	498	505

16. Comparative information

Certain comparative figures have been reclassified to conform to the current year's presentation.

Government Annuities Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Government Annuities Account have been prepared in accordance with Canadian generally accepted accounting principles, by the management of Human Resources and Skills Development Canada. Management is responsible for the integrity and objectivity of the information in the financial statements, including the amounts which must, of necessity, be based on best estimates and judgment.

In support of its responsibility for the integrity and fairness of the financial statements, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance that transactions comply with relevant authorities, assets are safeguarded and proper records are maintained.

The management of Human Resources and Skills Development Canada recognizes the responsibility of conducting its affairs in compliance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations.

The Auditor General of Canada, the external auditor of the Government Annuities Account, conducts an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and reports to the Minister of Human Resources and Skills Development.

IAN SHUGART
Deputy Minister
Human Resources and
Skills Development Canada

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and
Skills Development Canada

Gatineau, Canada
July 16, 2010

REPORT OF THE ACTUARY

I have valued the actuarial liabilities in the balance sheet of the Government Annuities Account as at March 31, 2010 and their change in the Account's statement of operations and actuarial liabilities for the year then ended.

As prescribed in the *Government Annuities Regulations*, the valuation was based on the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The valuation assumed a seven percent annual interest rate, also as stipulated in the *Regulations*.

The valuation was conducted in accordance with accepted actuarial principles to the extent that they apply. Significant differences are as follows: first, the Account's assets are in the form of a deposit with the Receiver General for Canada, so actuarial liabilities were based on the present value of future payments discounted at the prescribed interest rate; second, administrative expenses are paid by the government out of general funds, so no provision is made in the valuation; and finally, given the need for a realistic valuation and based on the size and long standing existence of this group of annuitants, there are no added margins for mortality risks.

In my opinion, the valuation is appropriate, it conforms to statutory requirements and the financial statements fairly present its results.

Luc Taillon
Fellow of the Canadian Institute of Actuaries
Chief Actuary
Human Resources and Skills Development Canada

Gatineau, Canada
July 13, 2010

Government Annuities Account—*Continued*

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES AND SKILLS DEVELOPMENT

I have audited the balance sheet of the Government Annuities Account as at March 31, 2010 and the statements of operations and actuarial liabilities and cash flow for the year then ended. These financial statements are the responsibility of the management of Human Resources and Skills Development Canada. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Halifax, Canada
July 16, 2010

BALANCE SHEET
AS AT MARCH 31
(in thousands of dollars)

ASSETS	2010	2009	LIABILITIES	2010	2009
Deposit with Receiver General for Canada (Note 4)	228,646	251,273	Actuarial surplus due to Canada	2,511	3,198
Accrued interest due from Canada	17,239	18,930	Actuarial liabilities (Note 5)	243,456	267,173
Accounts receivable	82	168			
	245,967	270,371		245,967	270,371

The accompanying notes are an integral part of these financial statements.

Approved by:

IAN SHUGART
Deputy Minister
Human Resources and
Skills Development Canada

ALFRED TSANG, CMA
Chief Financial Officer
Human Resources and
Skills Development Canada

Government Annuities Account—*Continued*

STATEMENT OF OPERATIONS AND ACTUARIAL LIABILITIES FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

	2010	2009
Payments and other charges		
Annuity payments	38,380	41,523
Premium refunds	66	87
Unclaimed annuities transferred to Consolidated Revenue Fund	105	138
	38,551	41,748
Income		
Interest from Canada (Note 4)	17,239	18,930
Premiums (Note 4)	18	29
Reclaimed annuities recovered from Consolidated Revenue Fund	88	173
	17,345	19,132
Services received without charge (Note 2(g))	2,084	2,161
Services contributed by Human Resources and Skills Development Canada (Note 2(g))	(2,084)	(2,161)
Excess of payments and other charges over income for the year	(21,206)	(22,616)
Actuarial liabilities, beginning of year	267,173	292,987
	245,967	270,371
Actuarial surplus due to Canada	(2,511)	(3,198)
Actuarial liabilities, end of year (Note 5)	243,456	267,173
Actuarial liabilities are comprised of:		
Deferred annuities, present value	11,696	13,038
Mature annuities, present value	231,760	254,135
	243,456	267,173

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

	2010	2009
Cash flows from (used in) operations		
Payments to annuitants	(38,446)	(41,610)
Interest received	18,930	20,669
Reclaimed annuities recovered from Consolidated Revenue Fund	88	173
Unclaimed annuities transferred to Consolidated Revenue Fund	(105)	(138)
Premiums received from annuitants	18	29
Decrease (Increase) of accounts receivable	86	(26)
	(19,429)	(20,903)
Actuarial surplus remitted to Consolidated Revenue Fund	(3,198)	(2,642)
Decrease in deposit with Receiver General for Canada	(22,627)	(23,545)
Deposit with Receiver General for Canada, beginning of year	251,273	274,818
Deposit with Receiver General for Canada, end of year	228,646	251,273

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

1. Authority, Objective and Responsibilities

The Government Annuities Account (the Account) was established in 1908 by the *Government Annuities Act*, as modified by the *Government Annuities Improvement Act*.

The purpose of the *Government Annuities Act* was to assist individuals and groups of Canadians to prepare financially for their retirement by purchasing Government Annuities. In 1975, the *Government Annuities Improvement Act* discontinued future sales of Government Annuity contracts. Annuities are deferred until their maturity date, at which time payments to annuitants begin.

The Account is administered by Human Resources and Skills Development Canada and operates through the Consolidated Revenue Fund.

Government Annuities Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Continued*

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Account are prepared in accordance with Canadian generally accepted accounting principles.

(b) Actuarial liabilities

The method utilized to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and regulations.

Actuarial liabilities comprise, in respect of deferred and matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

(c) Actuarial surplus/deficit

At the end of any fiscal year, the recorded amount of actuarial liabilities may be different than the amount of actuarial liabilities determined by the actuary. The difference is recorded as an actuarial surplus or deficit, which is remitted to or recovered from the Consolidated Revenue Fund.

(d) Interest from Canada

Interest from Canada is recorded on an accrual basis and is calculated on actuarial liabilities as prescribed by the *Government Annuities Improvement Act*.

(e) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

(f) Reclaimed annuities

Reclaimed annuities represent previously unclaimed amounts that had been transferred to the Consolidated Revenue Fund. Where the annuitants are subsequently located, the actuarial value of these annuities is transferred back to the Account.

(g) Services received without charge

Administrative services, including actuarial services, received without charge from Human Resources and Skills Development Canada are recorded in the Statement of Operations and Actuarial Liabilities at their estimated carrying amount. A corresponding amount is credited directly to the Statement of Operations and Actuarial Liabilities.

(h) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, actuarial liabilities, and income at the date of the financial statements. Despite the use of management's best estimates, it is possible that the amounts for the actuarial liabilities and related accounts could change materially in the near term.

3. Future Accounting Standards

Section 4600 Pension Plans and International Financial Reporting Standards (IFRS)

The Account's financial statements are prepared in accordance with Canadian generally accepted accounting principles, largely based on Section 4100 Pension Plans. In April 2010, the Accounting Standards Board issued Section 4600 Pension Plans to replace Section 4100 for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 4100 continues to be applied until Section 4600 takes effect. The Section 4600 provides standards for the accounting and disclosure of investments or pension obligations of a pension plan. Section 4600 also requires pension plans of publicly accountable enterprises to follow IFRS to the extent that those standards do not conflict with the requirements of Section 4600. Consequently, a pension plan of a publicly accountable enterprise may apply IFRS in selecting accounting policies other than policies of the plan that relate to its investments or pension obligations.

The management of Human Resources and Skills Development Canada will assess the impact of the adoption of these changes on the Account's financial statements that are effective for the fiscal year commencing April 1, 2011.

4. Premiums deposited with Receiver General for Canada

Premiums are deposited with the Receiver General for Canada. This deposit earns interest at a rate of seven percent in accordance with the *Government Annuities Improvement Act*. Due to the short-term nature, the carrying value of the deposit with the Receiver General for Canada approximates its fair value.

Government Annuities Account—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010—*Concluded*

5. Actuarial liabilities

The *Government Annuities Act* and regulations prescribe the basis upon which actuarial values are to be determined. The regulations require the discounting of expected future payments using an annual interest rate of seven percent. Future payments are to be estimated using the mortality rates from the 1983 mortality tables published by the Society of Actuaries, for individual and group annuities respectively, modified by Projection Scale G. The Chief Actuary has indicated that these assumptions provide a reasonable estimate of the actuarial liabilities of the Account.

6. Financial Instruments

The Account's financial instruments include the deposits with Receiver General for Canada and actuarial surplus due to Canada. The carrying value of these financial instruments approximates their fair value.

7. Financial Risk Management

The Account is not exposed to any significant market risk, liquidity risk, or credit risk from its use of financial instruments.

8. Capital Management

The Account does not manage capital as all deposits and withdrawals to the Account are made to the Consolidated Revenue Fund (CRF) of Canada and returns on deposits are legislated through the *Government Annuities Improvement Act*. In addition, any deficit or surplus in the Account is charged or credited to the CRF.

The Account is valued on an actuarial basis each year, with the objective of reporting the present value of the deferred and matured annuities to the Government of Canada to ensure the Account is sufficiently funded.

The Account has no externally imposed restrictions on capital. There has been no change in the Account's approach to capital management over the prior year.

9. Respective roles of the valuation actuary and of the auditor

In accordance with the Joint Policy Statement of the Canadian Institute of Chartered Accountants and the Canadian Institute of Actuaries, dated October 2007, it is appropriate to include a description of the respective roles of the actuary and of the auditor with respect to the financial statements. Their respective roles are as follows:

Human Resources and Skills Development Canada's Chief Actuary determines and reports on the amount of actuarial liabilities for annuity contracts issued under the *Government Annuities Act*, as shown in the financial statements. This valuation is conducted in accordance with accepted actuarial principles, as adapted to the circumstances of the Account. The Chief Actuary also ensures that the method used to calculate the actuarial liabilities is in accordance with the *Government Annuities Improvement Act* and regulations.

The Auditor General of Canada expresses an opinion on the fair presentation of the financial statements prepared by management in accordance with Canadian generally accepted accounting principles. The Auditor General of Canada also expresses an opinion on whether the transactions that come to the auditor's attention are, in all significant respects, in accordance with the *Government Annuities Act*, the *Government Annuities Improvement Act* and regulations. The audit is conducted in accordance with Canadian generally accepted auditing standards issued by the Canadian Institute of Chartered Accountants.

10. Related Party Transactions

The Account is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations.

Royal Canadian Mounted Police (Dependants) Pension Fund

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Royal Canadian Mounted Police (Dependants) Pension Fund is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include management's best estimates and judgments when appropriate.

Responsibility for the integrity and objectivity of the financial statements rests with the management of the Royal Canadian Mounted Police (Dependants) Pension Fund. In support of its responsibility, management has developed and maintained books, records, internal controls and management practices, designed to provide reasonable assurance as to the reliability of the financial information, that assets are safeguarded and controlled, and that transactions of the Fund are in accordance with the *Financial Administration Act* and regulations and, as appropriate, the *Royal Canadian Mounted Police Pension Continuation Act*.

These financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

ROD KNECHT
for WILLIAM J. S. ELLIOTT
Commissioner

SHEILA JAMIESON
for ALAIN P. SÉGUIN
Chief Financial and Administrative Officer

July 9, 2010

AUDITOR'S REPORT

TO THE MINISTER OF PUBLIC SAFETY

I have audited the statement of net assets available for benefits and excess of actuarial value of net assets available for benefits over accrued pension benefits of the Royal Canadian Mounted Police (Dependants) Pension Fund as at March 31, 2010 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and excess of actuarial value of net assets available for benefits over accrued pension benefits of the Fund as at March 31, 2010 and the changes in net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Fund that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of the *Financial Administration Act* and the *Royal Canadian Mounted Police Pension Continuation Act*.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 9, 2010

Royal Canadian Mounted Police (Dependants) Pension Fund—*Continued*

STATEMENT OF NET ASSET AVAILABLE FOR BENEFITS AND EXCESS OF ACTUARIAL VALUE OF NET ASSET AVAILABLE FOR BENEFITS OVER ACCRUED BENEFITS
AS AT MARCH 31

	2010	2009
	$	$
Asset		
Due from the Consolidated Revenue Fund	26,972,269	27,831,547
Net asset available for benefits	26,972,269	27,831,547
Accrued pension benefits (Note 3)	23,907,000	24,956,000
Excess of actuarial value of net asset available for benefits over accrued pension benefits	3,065,269	2,875,547

The accompanying notes are an integral part of these financial statements.

Approved:

ROD KNECHT
for WILLIAM J. S. ELLIOTT
Commissioner

SHEILA JAMIESON
for ALAIN P. SÉGUIN
Chief Financial and Administrative Officer

July 9, 2010

STATEMENT OF CHANGES IN NET ASSET AVAILABLE FOR BENEFITS
YEAR ENDED MARCH 31

	2010	2009
	$	$
Net asset available for benefits, beginning of year	27,831,547	28,537,258
Increase in net asset:		
Interest income on amount due from the Consolidated Revenue Fund	1,809,668	1,937,174
Contributions	5,342	5,842
Total increase in net asset	1,815,010	1,943,016
Decrease in net asset:		
Benefit payments	(2,674,288)	(2,648,727)
Decrease in net asset	(859,278)	(705,711)
Net asset available for benefits, end of year	26,972,269	27,831,547

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
YEAR ENDED MARCH 31

	2010	2009
	$	$
Actuarial present value of accrued pension benefits, beginning of year	24,956,000	25,860,000
Net interest accrued on benefits	1,620,000	1,739,000
Contributions from participants (instalment payments)	5,000	6,000
Benefit payments	(2,674,000)	(2,649,000)
Actuarial present value of accrued pension benefits, end of year	23,907,000	24,956,000

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31

1. Description of the Fund

The following summary description of the Royal Canadian Mounted Police (Dependants) Pension Fund (the Fund) is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the *Act*). All monetary transactions of the Fund are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

(a) General

The Royal Canadian Mounted Police (Dependants) Pension Fund was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The *Act* provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

The Fund is accounted for using the standards applicable to a defined benefit pension plan.

(b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Fund; however, retired members may continue to make instalment payments in respect of previous elections made before their retirement.

Royal Canadian Mounted Police (Dependants) Pension Fund—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31—*Continued*

The *Act* directs the Minister of Finance to have an actuarial valuation of the Fund prepared at least every five years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase the benefit payments. If there is an actuarial deficiency, the Governor in Council may direct that there be amounts transferred to the Fund, out of any unappropriated moneys in the CRF, as may be required to re-establish the solvency of the Fund.

(c) Interest income

The Government of Canada credits the Fund with interest computed quarterly on the amount due from the Consolidated Revenue Fund at the end of the preceding quarter. The rate of interest is determined by the Minister of Finance on a quarterly basis and is equal to the rate used in other government Superannuation accounts. The rate is calculated as though the amounts recorded were invested in a notional portfolio of Government of Canada 20 year bonds held to maturity.

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Fund.

i. Widow's pension benefit

The widow is entitled to the pension purchased by the member. In many cases the pension benefit equals approximately 1.5% of the member's final pension benefit payment multiplied by his years of credited service. The pension benefit is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii. Eligible children's annuities

An annuity, not exceeding 7% of the member's final pension payment, is payable to each surviving child eligible in accordance with the provisions of the *Act* at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii. Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. This lump sum shall be equal in value to a pension for female aged 20 years older than the deceased member at death but not exceeding 75 years.

iv. Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The *Act* provides that if the Fund is substantially in excess of the amount required to make adequate provision for the prospective payments, the Governor in Council may, by order, increase the benefits provided under Part IV of the Act in such manner as may appear equitable and expedient. The authority of the Governor in Council is delegated to the Treasury Board under section 7(2) of the *Financial Administration Act*.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Fund upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV of the *Act* and those of his dependants shall cease upon such election. All returns of contributions are made without interest.

2. Significant accounting policies

The financial statements present the aggregate financial position of the Fund as a separate financial reporting entity independent of the sponsor and Fund members. They are prepared to assist Fund members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the Fund.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis. The significant accounting policies are:

(a) Adoption of new accounting standards

On April 1, 2009, the Fund adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, *Goodwill and Intangible* Assets. Additionally, amendments to Section 3862, *Financial Instruments - Disclosures*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 1000, *Financial Statement Concepts* were adopted.

Royal Canadian Mounted Police (Dependants) Pension Fund—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31—*Continued*

Goodwill and Intangible Assets

In February 2008, the CICA issued new accounting standard Handbook Section 3064, Goodwill and Intangible Assets, applicable for fiscal years beginning on or after October 1, 2008, which the Fund adopted retrospectively, effective April 1, 2009. New Section 3064 which replaces CICA Handbook Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs, provides guidance for the identification, recognition, and measurement of externally acquired or internally developed intangible assets and requires separate asset disclosure. This new section had no material impact on the Fund.

Financial instruments - disclosures

Effective April 1, 2009, the Fund adopted the recent amendments to Section 3862, Financial Instruments - Disclosures. The amendments enhance required disclosures related to fair value measurements, including the relative reliability of the inputs used in those measurements and establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of fair value hierarchy are as follows:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3	Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

The carrying amount of the Consolidated Revenue Fund approximates fair value based on level 1 inputs due to the relatively short-term nature of these financial instruments and is classified as held for trading.

Additionally, the requirement for liquidity risk disclosure was enhanced with the inclusion of a maturity risk analysis for derivative and non-derivative financial instruments.

Financial instruments - recognition and measurement

In June 2009, the CICA clarified Section 3855 with respect to the effective interest method which is used for calculating the amortized cost of financial assets and financial liabilities and of allocating the interest income or interest expense over the relevant period. This clarification had no material impact on the Fund.

Financial Statement Concepts

In February 2008, the CICA issued amendments to Section 1000, Financial Statement Concepts to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Effective April 1, 2009, the Fund adopted the amendments to Section 1000 which did not have any impact on the Fund's financial statements.

(b) Interest income on the amount due from the Consolidated Revenue Fund

Interest on the amount due from the Consolidated Revenue Fund is recognized on an accrual basis.

(c) Benefit payments

Benefits are accrued as pensionable service accumulates and are recognized as a reduction of accrued pension benefits and net assets available for benefits when paid.

(d) Services provided without charge and related party transactions

The Fund does not record the value of administrative services it receives without charge from various government departments and agencies as they are insignificant in the context of the financial statements taken as a whole. These services include the following:

- —Financial management and other support services from the Royal Canadian Mounted Police;
- —Actuarial valuation and other services from the Office of the Superintendent of Financial Institutions;
- —Cheque issue from Public Works and Government Services Canada; and
- —Auditors' cost from the Office of the Auditor General.

(e) Use of estimates

In preparing these financial statements, management uses estimates and assumptions that primarily affect the reported values of the liabilities. Significant esti-

Royal Canadian Mounted Police (Dependants) Pension Fund—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31—*Concluded*

mates are used primarily in the determination of accrued pension benefits which have been disclosed in Note 3.

(f) Future Accounting Policy Change

The Fund's financial statements are prepared in accordance with Canadian generally accepted accounting principles, largely based on Section 4100 Pension Plans. In April 2010, the Canadian Institute of Chartered Accountants issued Section 4600 Pension Plans to replace Section 4100 for annual financial statements relating to fiscal years beginning on or after January 1, 2011. Section 4100 continues to be applied until Section 4600 takes effect. The revised Section 4600 provides standards for the accounting and disclosure of investments or pension obligations of a pension plan. Section 4600 also requires pension plans of publicly accountable enterprises to follow International Financial Reporting Standards (IFRS) to the extent that those standards do not conflict with the requirements of Section 4600. Consequently, a pension plan of a publicly accountable enterprise may apply IFRS in selecting accounting policies other than policies of the plan that relate to its investments or pension obligations.

The fund will assess the impact of the adoption of these changes on its financial statements that are effective for the fiscal year commencing April 1, 2011.

3. Accrued pension benefits

The most recent statutory actuarial valuation was performed as at March 31, 2007 by the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of $3,782,000. A portion of this surplus was distributed by annual effective increases in the pension amount of 2.2% as at April 1, 2008, 2.2% as at April 1, 2009, and will be distributed by annual effective increases in the pension amount of 2.2% as at April 1, 2010 and by increases to lump sum death benefits and residual payments. The cumulative increase to the basic pension amount is 1.095% effective April 1, 2008, 1.121% effective April 1, 2009, and 1.148% effective April 1, 2010.

The remaining balance of the actuarial surplus is intended to be used over the remaining life of the Fund for the payment of increases in the pension benefits. The average ages of members and widows were both estimated to be 84 years and the remaining lifetime of the Fund was estimated at 31 years as at March 31, 2007.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future Fund yields, mortality rates, proportion of members married, and age of new widows.

The current Fund yield of 6.83% per annum (7.10% in 2009) is consistent with the estimated yield (6.85%) used for the immediate future in the actuarial valuation. The expected long-term Fund yield is estimated to decline to 5.10% per annum by the year 2025 and to rise to the ultimate level of 5.35% by 2032. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

An interim valuation was performed as at March 31, 2010, to estimate the actuarial present value of accrued pension benefits and the principal components of change in the actuarial present value during the plan year.

4. Financial instruments

The financial instruments of the Fund include the amount due from the Consolidated Revenue Fund. The carrying value of the amount due from the Consolidated Revenue Fund approximates fair value due to its short term nature.

5. Capital management

The primary objective with respect to capital management is to ensure that the Fund has adequate capital to meet its obligations to all current Fund members and their survivors.

The Fund is not subject to any externally imposed capital requirements and the surpluses or deficits are determined regularly by an actuarial valuation that is prepared by an independent actuary and considered as the Fund's capital.

The actuary's valuation is used to measure the long-term health of the Fund. The actuary tests the Fund's ability to meet its obligations to all current Fund members and their survivors.

Using an assumed rate of return, the actuary projects the Fund's benefits to estimate the current value of the liability (see note 3), which is compared to the Fund's asset (due from the CRF) and the future contributions for all current Fund members. The result of the comparison is either a surplus or a deficit. In either case, the funding policy as described in Note 1 b) will be used to ensure that the capital of the Fund is maintained.

There have been no changes to the capital management policy of the Fund.

6. Financial risk management

The Fund is not exposed to any significant market risk, liquidity risk, or credit risk from its use of financial instruments. Accordingly, the Fund has not provided a market risk sensitivity analysis.

SECTION 7

2009-2010

PUBLIC ACCOUNTS OF CANADA

Cash and Accounts Receivable

CONTENTS

	Page
Cash and cash equivalents	7.2
Taxes receivable	7.3
Other accounts receivable	7.4

CASH AND ACCOUNTS RECEIVABLE

This section contains information on accounts reported on the Statement of Financial Position under "Cash and Accounts Receivable".

Table 7.1 presents the year-end balances of cash and accounts receivable by category.

TABLE 7.1

CASH AND ACCOUNTS RECEIVABLE

	March 31/2010	March 31/2009
	$	$
Cash and cash equivalents, Table 7.2	28,450,328,245	46,985,093,976
Taxes receivable, Table 7.3	69,062,455,926	71,910,913,735
Other accounts receivable, Table 7.5	3,692,188,232	3,250,715,996
Total cash and accounts receivable	101,204,972,403	122,146,723,707

Cash and Cash Equivalents

Cash consists of public moneys on deposit and cash in transit at March 31st. Cash in bank consists of public moneys on deposit to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions. Cash in transit consists of public moneys received by public officers prior to April 1, but not deposited by that date as well as cash held by consolidated Crown corporations and other entities. Outstanding cheques and warrants are deducted to arrive at the closing cash balance.

Cash equivalents consist mainly of term deposits resulting from auctions administered by the Bank of Canada and the Department of Finance on behalf of the Minister of Finance. The short term deposits, denominated in Canadian dollars, are made from a portion of the daily surplus of cash balance and have a short term maturity, usually not exceeding 31 calendar days.

Table 7.2 presents a summary of the cash and cash equivalents.

TABLE 7.2

CASH AND CASH EQUIVALENTS

	March 31/2010	March 31/2009
	$	$
Cash in bank—		
Canadian currency	13,668,147,862	28,607,644,837
Foreign currencies(1)	326,355,184	(4,011,768)
Special deposits(2)	50,000,000	50,000,000
Total cash in bank	14,044,503,046	28,653,633,069
Cash in transit—		
Cash in hands of collectors and in transit	7,359,138,663	6,646,860,734
Other cash—Consolidated Crown corporations and other entities(3)	518,079,000	486,232,000
Total cash in transit	7,877,217,663	7,133,092,734
Less: Outstanding cheques and warrants—		
Outstanding cheques(4)	5,050,029,792	5,176,590,893
Imprest account cheques(5)	319,560	2,095,012
Total outstanding cheques and warrants	5,050,349,352	5,178,685,905
Total cash	16,871,371,357	30,608,039,898
Cash equivalents	11,578,956,888	16,377,054,078
Total cash and cash equivalents	28,450,328,245	46,985,093,976

(1) The balances denominated in foreign currencies (United Kingdom pounds sterling, United States dollars and Euros) have been translated into Canadian dollar equivalents and include cash in bank and outstanding cheques.

(2) These are balances in the hands of financial institutions for the reimbursement of GST refund payments issued by the "ministère du Revenu du Québec" on behalf of the government.

(3) These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of consolidated Crown corporations and other entities.

(4) Cheques and Employment Insurance warrants issued in Canadian dollars, and outstanding are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of $33,703,294 ($30,130,605 in 2009) was transferred to non-tax revenues. Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

(5) Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account.

Taxes Receivable

Taxes receivable include amounts assessed by Canada Revenue Agency and the Canada Border Services Agency but not yet collected, as well as estimates of unassessed taxes at year-end. Amounts receivable also include related amounts for interest and penalties.

Taxes receivable include taxes, premiums and contributions collectable on behalf of others such as provincial, territorial governments and the Canada Pension Plan. These amounts have also been included in liabilities.

The Government establishes an allowance for doubtful accounts to reduce the carrying value of the taxes receivable to amounts that approximate their net realizable value.

Table 7.3 presents taxes receivable by tax stream. Amounts receivable that are written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

TABLE 7.3

TAXES RECEIVABLE AS AT MARCH 31

	2010			2009		
	Gross taxes receivable	Allowance for doubtful accounts	Net taxes receivable	Gross taxes receivable	Allowance for doubtful accounts	Net taxes receivable
	$	$	$	$	$	$
Taxes receivable—						
Income taxes receivable—						
Individuals	40,303,200,537	4,925,575,342	35,377,625,195	42,233,169,288	4,355,642,530	37,877,526,758
Employers	15,009,791,969	821,743,264	14,188,048,705	14,396,572,545	725,056,322	13,671,516,223
Corporations	10,713,832,470	1,849,060,942	8,864,771,528	12,163,615,664	1,770,430,394	10,393,185,270
Non-residents	1,182,413,290	142,074,136	1,040,339,154	1,235,232,757	151,368,843	1,083,863,914
Goods and services taxes receivable	9,957,731,011	2,187,625,261	7,770,105,750	9,388,101,864	2,396,572,955	6,991,528,909
Customs duties receivable	190,300,334	23,243,689	167,056,645	226,822,803	25,407,592	201,415,211
Excise taxes and duties receivable	1,695,373,074	40,864,125	1,654,508,949	1,753,744,107	61,866,657	1,691,877,450
Total	79,052,642,685	9,990,186,759	69,062,455,926	81,397,259,028	9,486,345,293	71,910,913,735

Table 7.4 presents the aging for taxes receivable for the period over which claims at March 31 have been outstanding. Receivables based on estimates of unassessed taxes at year-end are included in current receivables.

TABLE 7.4

AGING OF TAXES RECEIVABLE

	Year ended March 31	
	2010	2009
	$	$
Tax receivables		
Less than one year	59,620,638,416	63,073,565,580
1-2	3,210,161,595	3,189,151,980
2-3	2,010,232,834	2,187,101,335
3-4	2,199,184,538	1,646,185,499
4-5	1,780,135,854	1,973,721,872
Over 5 years	10,232,289,448	9,327,532,762
Total	79,052,642,685	81,397,259,028

Other Accounts Receivable

Other accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to the Government for use of its assets, or from the proceeds for provision of services as of March 31, 2010.

Amounts receivable written off or forgiven are included in Section 2 of Volume III (Debts, obligations and claims written off or forgiven).

Table 7.5 presents a summary of the balances for other receivables.

TABLE 7.5

OTHER ACCOUNTS RECEIVABLE AS AT MARCH 31

	2010			2009		
	Gross receivables	Allowance for doubtful accounts	Net receivables	Gross receivables	Allowance for doubtful accounts	Net receivables
	$	$	$	$	$	$
Other receivables[1]	4,192,472,526	1,343,797,294	2,848,675,232	4,046,041,656	1,329,028,660	2,717,012,996
Accounts receivable of consolidated Crown corporations and other entities	843,513,000		843,513,000	533,703,000		533,703,000
Total	5,035,985,526	1,343,797,294	3,692,188,232	4,579,744,656	1,329,028,660	3,250,715,996

[1] Other receivables are the financial claims owed to the Government and arising from other revenues.

Table 7.6 presents the aging of other accounts receivables for the period over which claims at March 31 have been outstanding.

TABLE 7.6

AGING OF OTHER ACCOUNTS RECEIVABLE

	Year ended March 31	
	2010	2009
	$	$
Outstanding days		
0-30	1,317,868,093	1,195,978,283
31-60	322,343,023	311,613,593
61-90	160,019,990	190,005,464
91-365	378,622,806	291,177,193
Over 365	2,013,618,614	2,057,267,123
Total	4,192,472,526	4,046,041,656
Accounts receivable of consolidated Crown corporations and other entities	843,513,000	533,703,000
Total	5,035,985,526	4,579,744,656

SECTION 8

2009-2010

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

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International reserves held in the Exchange Fund Account	8.2
International Monetary Fund—Subscriptions	8.3
International Monetary Fund—Loans	8.3
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Supplementary statement— Exchange Fund Account	8.4

FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Investment income from the foreign exchange accounts and net gains and losses resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are recorded in foreign exchange net revenues on the Statement of Operations and Accumulated Deficit.

Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to $8,243 million as at March 31, 2010 ($10,381 million as at March 31, 2009); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 8.1

FOREIGN EXCHANGE ACCOUNTS

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
International reserves held in the Exchange Fund Account, Table 8.2	51,194,070,762	42,839,823,927	40,332,582,585	53,701,312,104
International Monetary Fund—Subscriptions	12,010,591,516		2,187,820,200	9,822,771,316
International Monetary Fund—Loans		363,961,698	26,907,331	337,054,367
	63,204,662,278	*43,203,785,625*	*42,547,310,116*	*63,861,137,787*
Less:				
International Monetary Fund—Notes payable	10,026,593,743	3,223,553,639	873,000,000	7,676,040,104
Special drawing rights allocations	1,469,530,532	1,095,070,324	8,860,537,029	9,234,997,237
	11,496,124,275	*4,318,623,963*	*9,733,537,029*	*16,911,037,341*
Total	51,708,538,003	47,522,409,588	52,280,847,145	46,950,100,446

International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this Act, audited financial statements for the Exchange Fund Account are prepared for each year. The financial statements as at March 31, 2010, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 2010. Gold held by the Account is valued at 35 SDRs per fine ounce ($53.98 Cdn as at March 31, 2010 and $66.00 Cdn as at March 31, 2009).

In 2009-2010, payments and other charges consisted of advances to the Exchange Fund Account in the amount of $41,384 million and an adjustment of $1,456 million to recognize the net income of the Exchange Fund Account for the period April 1, 2009 to March 31, 2010. Receipts and other credits consisted of repayments of advances of $31,593 million and a net valuation adjustment of $8,740 million.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/2010	March 31/2009
US dollar cash on deposits	226	548
US dollar marketable securities	24,477	27,404
Euro cash on deposits	175	272
Euro marketable securities	19,443	21,641
Japanese yen cash deposits	91	106
Japanese yen marketable securities	217	
Special drawing rights	9,066	1,216
Gold	6	7
Total	53,701	51,194
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (2010, $26,274 million US; 2009, $23,125 million US)	26,689	29,167
Euro	18,810	21,128
Japanese yen	304	102
Special drawing rights (2010, SDR 4,599 million; 2009, SDR 610 million)	7,092	(1,150)
Canadian dollars	(650)	94
Total advances from the Consolidated Revenue Fund	52,245	49,341
Total net income from April 1 to March 31	1,456	1,853
Total	53,701	51,194

International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of SDR, a unit of account defined in terms of a "basket" of four major currencies, the Euro, US dollar, Pound sterling and Japanese yen.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 2009-2010, receipts and other credits consisted of a valuation adjustment of $2,188 million.

International Monetary Fund—Loans

This account records the value of interest-bearing loans made under Canada's bi-lateral borrowing agreement with the IMF.

On July 6, 2009, the Government of Canada entered into a two-year, bi-lateral borrowing agreement with the IMF. The maximum borrowings of the IMF under this agreement are limited to the equivalent of $10 billion US. The purpose of the agreement is to provide temporary resources for member countries requiring balance of payment assistance during the global economic crisis.

Each drawing under the agreement has a term to maturity of three months and bears interest at the SDR rate. Amounts advanced under this agreement are considered part of the Official International Reserves of Canada.

International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 2009-2010, notes payable to the IMF decreased by $2,351 million.

Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There were 5,209 million SDRs allocated by the IMF to Canada during the year. In 2009-2010, payments and other charges consisted of a valuation adjustment of $1,095 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

STATEMENT OF RESPONSIBILITY

Responsibility for the financial statements of the Exchange Fund Account (the Account) and all other information presented in this Annual Report rests with the Department of Finance. The operations of the Account are governed by the provisions of Part II of the *Currency Act*. The Bank of Canada administers the Account, as fiscal agent for the Government of Canada.

The financial statements were prepared in accordance with the accounting policies set out in Note 2 to the financial statements, which are consistent with those used by the Government of Canada, and do not result in any significant differences from Canadian generally accepted accounting principles for the public sector. These policies were applied on a basis consistent with that of the preceding year. The information included in these financial statements is based on the best estimates and judgement of the Department of Finance and the Bank of Canada, with due consideration given to materiality.

The Department of Finance establishes policies for the Account's transactions and investments. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada maintains appropriate financial systems and related internal controls to provide reasonable assurance that financial information is reliable, assets are safeguarded and transactions are properly authorized in accordance with the *Currency Act*. The system of internal control is supported by an internal audit department, whose functions include reviewing internal controls, including accounting and financial controls and their application. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of her audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are also part of the Public Accounts of Canada, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

MARK CARNEY
Governor
Bank of Canada

MICHAEL HORGAN
Deputy Minister
Department of Finance

SHEILA VOKEY, CA
Chief Accountant
Bank of Canada

Ottawa, Canada
May 7, 2010

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the statement of financial position of the Exchange Fund Account as at 31 March 2010 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Account's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, which conform with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part II of the *Currency Act*.

Nancy Y. Cheng, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 7, 2010

Exchange Fund Account—*Continued*

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010
(in millions of Canadian dollars)

FINANCIAL ASSETS	2010	2009	LIABILITIES	2010	2009
Cash and short-term deposits (Note 3)	492	926	Due to the Consolidated Revenue Fund (Note 7)	53,701	51,194
	492	926			
Investments—			COMMITMENTS (note 9)		
Marketable securities (Note 5)	44,137	49,045			
Special drawing rights (Note 6)	9,066	1,216			
Gold	6	7			
	53,209	50,268			
	53,701	51,194		53,701	51,194

The accompanying notes are an integral part of these financial statements.

Approved:

MARK CARNEY
Governor
Bank of Canada

MICHAEL HORGAN
Deputy Minister
Department of Finance

SHEILA VOKEY, CA
Chief Accountant
Bank of Canada

Exchange Fund Account—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH 2010
(in millions of Canadian dollars)

	2010	2009
Net revenue from investments—		
Marketable securities	1,717	1,661
Cash and short-term deposits	1	24
Special drawing rights	16	22
Deposits held under repurchase agreements		8
	1,734	1,715
Other—		
Net foreign exchange (loss) gain	(278)	138
Net revenue for the year	1,456	1,853

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010
(in millions of Canadian dollars)

	2010	2009
Cash flows from operating activities—		
Revenue from investments received—		
Marketable securities	1,353	1,334
Short-term deposits		18
Deposits held under repurchase agreements		9
Other	1	11
Purchase of marketable securities	(65,650)	(70,206)
Proceeds from the sale or maturity of marketable securities	61,268	67,185
Increase in foreign currency position	4	137
Decrease in foreign currency position	(2,623)	(3,005)
Cash used in operating activities	(5,647)	(4,517)
Cash flows from financing activities—		
Increase in advances from the CRF	30,568	30,894
Repayment of advances to the CRF	(25,145)	(27,535)
Cash provided by financing activities	5,423	3,359
Effects of exchange rate changes on cash and cash equivalents	(210)	175
Decrease in cash and cash equivalents	(434)	(983)
Cash and cash equivalents—		
Balance, beginning of year	926	1,909
Balance, end of year	492	926

The accompanying notes are an integral part of these financial statements.

Exchange Fund Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

(Amounts in the notes to the financial statements are in millions of Canadian dollars, unless otherwise stated.)

1. Authority and objective

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act*. The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account. The majority of Canada's official international reserves reside inside the Account. The Account represents approximately 96 per cent (96 per cent at 31 March 2009) of Canada's official reserves. The remainder of the official reserves reside in the foreign currency accounts of the Minister of Finance.

The legislative mandate of the Account is to aid in the control and protection of the external value of the Canadian dollar. The Minister of Finance empowers the Account to acquire or sell assets deemed appropriate for this purpose, in accordance with the Account's *Statement of Investment Policy*.

Assets held in the Account are managed to provide foreign-currency liquidity to the government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required. Canada's current policy is to intervene in foreign exchange markets on a discretionary, rather than a systematic, basis and only in the most exceptional of circumstances. Since September 1998, no transactions have been aimed at moderating movements in the value of the Canadian dollar.

In accordance with the *Currency Act*, the net revenue for the year is paid to or charged to the Consolidated Revenue Fund (CRF) of the Government of Canada within three months after the end of the fiscal year, and the Minister of Finance reports to Parliament on the operations of the Account within the first 60 days on which Parliament is sitting after the end of the fiscal year.

2. Significant accounting policies

As stipulated in the *Currency Act*, the financial statements of the Account are prepared in a manner consistent with the accounting policies used by the Government of Canada to prepare its financial statements. The presentation and results of the Account using these accounting policies do not result in any significant differences from Canadian generally accepted accounting principles for the public sector.

(a) Revenue recognition

Revenue from investments is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts using the straight line method, gains or losses on sales of securities, and revenues from securities lending activities. Interest is accrued on short-term deposits, deposits held under repurchase agreements, marketable securities, and Special Drawing Rights.

(b) Expense recognition

The Account's administrative, custodial, and fiscal agency services are provided and paid for by the Bank of Canada and Department of Finance. These costs are not recognized in the financial statements.

In addition, the notional cost specifically identified as related to the funding of the Account's assets and advanced by the CRF are not recognized in the financial statements.

(c) Financial assets

Short-term deposits

Short-term deposits are recorded at cost and are generally held to maturity.

Deposits held under repurchase agreements

Deposits held under repurchase agreements are recorded at cost.

Marketable securities

Marketable securities are recorded at cost and are adjusted for amortization of purchase discounts and premiums on a straight-line basis over the term to maturity of the security. Purchases and sales of securities are recorded at the settlement dates. The securities loaned under the securities lending program continue to be accounted for as investment assets.

Short-term deposits, Deposits held under repurchase agreement and Marketable securities are written down to their recoverable amount in the event of an other than temporary impairment in the fair value. Write-downs to reflect other than temporary impairment are included in *Net revenue from investments* in the *Statement of Operations*.

Special Drawing Rights

SDR's are initially recorded at cost and are subsequently translated into Canadian dollars at market exchange rates.

Gold

Gold is carried in the Account at a value of 35 SDRs per fine ounce, which approximates cost and conforms to the value used in the *Public Accounts of Canada*.

Exchange Fund Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010—*Continued*

(d) Translation of foreign currencies and Special Drawing Rights

Assets and advances denominated in foreign currencies and special drawing rights (SDRs) are translated into Canadian dollar equivalents at rates prevailing on the balance sheet dates, which were as follows:

	2010	2009
US dollars	1.0158	1.2613
Euros	1.3720	1.6755
Japanese yen	0.0109	0.0127
SDRs	1.5422	1.8857

Gains or losses resulting from the translation of assets and advances denominated in foreign currencies and SDRs, as well as on transactions throughout the fiscal year, are recorded as net foreign exchange gains or losses and are included in the *Statement of Operations*.

Investment revenue in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the revenue is earned.

(e) Use of estimates and measurement uncertainty

The preparation of the financial statements of the Account requires management to make estimates and assumptions, based on information available as of the date of the financial statements. The most significant use of estimates is in the disclosure of the fair value of assets and disclosure of the notional cost of advances.

3. Cash and short-term deposits

	2010 Carrying value	2009 Carrying value
Cash—		
US dollars	226	548
Euros	175	272
Japanese yen	91	106
	492	926

Short-term deposits are money market transactions where the Account invests funds with designated counterparties.

There were no short-term deposits at 31 March 2010 (nil at 31 March 2009).

4. Deposits held under repurchase agreements

Deposits held under repurchase agreements are money market transactions where the Account invests funds on a secured basis with designated counterparties at prevailing market rates based on tri-party reverse repurchase agreements. The collateral on these transactions is held by a tri-party custodian.

Deposits held under repurchase agreements are denominated in US dollars. There were no deposits held under repurchase agreements at 31 March 2010 (nil at 31 March 2009).

Exchange Fund Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010—*Continued*

5. Marketable Securities

	Term to maturity										
	2010										2009
	Under 6 months		6 months to 1 year		1 to 5 years		Over 5 years				
	Carrying value	Yield %	Carrying value	Yield %	Carrying value	Yield %	Carrying value	Yield %	Total accrued interest	Total	Total
US dollar—											
Corporation	183	0.22								183	126
Commercial Banks	354	0.19								354	568
Sovereign	2,066	0.19	21	1.66	810	2.48	4,759	3.67	53	7,709	8,785
Supra National	213	0.21	47	0.90	1,939	3.68	1,953	4.51	54	4,206	4,639
Agencies and other	4,262	0.26	85	2.48	4,089	3.34	3,490	4.55	99	12,025	13,286
	7,078		153		6,838		10,202		206	24,477	27,404
Euro—											
Sovereign	713	1.25	737	1.64	3,128	2.95	7,705	3.67	237	12,520	12,328
Supra National	113	3.97			704	4.09	1,086	3.86	56	1,959	2,407
Agencies and other	235	2.93	110	2.73	2,280	3.96	2,232	3.89	107	4,964	6,906
	1,061		847		6,112		11,023		400	19,443	21,641
Japanese yen—											
Sovereign					217	0.68				217	
					217					217	
Total marketable securities	8,139		1,000		13,167		21,225		606	44,137	49,045

The yield in the above table represents the weighted average yield to maturity based on the carrying value at the end of the fiscal year for the respective securities.

At 31 March 2010, the net unamortized premium on marketable securities amounted to $407 million ($356 million net unamortized premium at 31 March 2009). Sales of marketable securities during the year resulted in a net gain of $395 million (net gain of $135 million at 31 March 2009) and is included in *Net revenue from Marketable Securities* on the *Statement of Operations*.

Under the securities lending program, the Account has agency agreements with two major financial institutions. Loans of securities are effected on behalf of the Account by these agents who guarantee the loans and obtain collateral of equal or greater value from their approved counterparties in these transactions. At 31 March 2010, no US Treasury Bills (US$255 million (par value) at 31 March 2009) and US$569 million (par value) in Treasury Notes (US$698 (par value) at 31 March 2009), were being used in the securities lending program with financial institutions.

6. Special Drawing Rights

The special drawing right (SDR) is an international reserve asset created by the International Monetary fund (IMF) in 1969 to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR serves as the unit of account of the International Monetary Fund (IMF) and its value is based on a basket of key international currencies. In August and September of 2009, the IMF completed allocations of Special Drawing Rights (SDRs) in an effort to boost global liquidity. Canada's share of these allocations was initially recorded at $8,063 million (SDR4,722 million) and $829 million (SDR487 million) in August 2009 and September 2009, respectively.

7. Due to the Consolidated Revenue Fund (CRF)

The Account is funded by the Government of Canada through interest-free advances from the CRF. Advances to the Account from the CRF are authorized by the Minister under the terms and conditions prescribed by the Minister of Finance. Pursuant to Section 19 of the *Currency Act*, these advances are limited to $100 billion by order of the Minister of Finance in September of 2009.

Exchange Fund Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010—*Continued*

The CRF advances the proceeds of Canada's borrowings in foreign currencies and allocations of SDRs by the IMF to the Account. Subsequent repayments of foreign currency debt are made using the assets of the Account and result in reductions in the level of foreign currency advances from the CRF. Interest payable by Canada on borrowings in foreign currencies and charges on allocations of SDRs to Canada are charged directly to the CRF.

The Account requires Canadian dollar advances to settle its purchases of foreign currencies. Canadian dollars received from sales of foreign currencies are remitted to the CRF. This, together with foreign currency payments made on behalf of the Government of Canada cause reductions in the level of outstanding Canadian-dollar advances, and can result in overall net deposits of Canadian dollars by the Account with the CRF.

At 31 March, advances from the CRF were comprised of the following currencies:

	2010	2009
US dollars	26,689	29,167
Euros	18,810	21,128
Japanese yen	304	102
SDR's	7,092	(1,150)
Subtotal—Foreign currencies	52,895	49,247
Canadian dollars	(650)	94
Net revenue	1,456	1,853
Total Due to Consolidated Revenue Fund	53,701	51,194

For the year ended 31 March 2010, the notional cost specifically identified as related to the funding of the Account's assets and advanced by the CRF to the Account is $1,357 million ($1,630 million for the year ended 31 March 2009). The notional cost of advanced funds is comprised of the actual interest costs on foreign denominated debt and cross currency swaps for foreign currency advances, and an imputed interest cost calculated using the average funding rate of outstanding Government of Canada market debt, applicable to the net of Canadian dollar and SDR currency advances.

8. Financial Instruments

The role of the Account as principal repository of Canada's official international reserves determines the nature of its assets and of its operations, as well as its use of financial instruments.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial contract will cause a loss to the Account by failing to discharge its obligations in accordance with agreed upon terms.

To ensure that the Account's asset portfolio is prudently diversified with respect to credit risk, the *Statement of Investment Policy* prescribed by the Minister of Finance specifies limits on holdings by class of issuer (sovereign, agency, supranational, corporation or commercial financial institution) and type of instrument. There are also limits on exposure to any one issuer or counterparty.

With respect to the *Statement of Investment Policy*, the Account may hold fixed income securities of highly rated sovereigns, central banks, government-supported entities and supranational organizations. To be eligible for investment, an entity must have a credit rating in the top seven categories from two of four designated rating agencies (Standard & Poor's, Moody's, Fitch, and Dominion Bond Rating Service). The Account may also make deposits and execute other transactions, up to prescribed limits, with commercial financial institutions that meet the same rating criteria.

As stipulated in the *Currency Act*, the Minister may appoint agents to perform services concerning the Account. Through the securities-lending program, agents can lend securities only up to a prescribed maximum amount and only to a list of approved counterparties. Each borrower must enter into a Securities Loan Agreement with at least one of the agents. Borrowers are also required to provide collateral for securities borrowed, according to a specific list approved by the Government. Collateral is limited to specific security types, terms to maturity, and credit ratings.

The agents also provide an indemnity in the event of default by the borrower. The Account enters into securities lending transactions in order to increase its return on investments.

Exchange Fund Account—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010—*Continued*

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Account is not exposed to significant other price risk.

Interest rate and currency risks are managed, with due consideration of the risk to the Government of Canada, through the asset-liability management policy. This policy utilizes a strategy of matching the duration structure and the currency of the Account's assets with the foreign currency borrowings of the Government of Canada that notionally finance the Accounts assets. Other price risks are mitigated by holding high quality liquid assets.

(c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk is minimized by limiting the portion of foreign liabilities that needs to be rolled over within a one year period. In addition, liquidity risk is mitigated by holding short-term investments that are matched to maturing liabilities.

(d) Fair value of financial instruments

	2010		2009	
	Carrying value and accrued interest	Fair value	Carrying value and accrued interest	Fair value
Investments—				
Cash and short-term deposits	492	492	926	926
Marketable securities—				
US dollar	24,477	24,966	27,404	28,299
Euro	19,443	20,237	21,641	22,375
Japanese yen	217	220		
	44,629	45,915	49,971	51,600
SDRs	9,066	9,066	1,216	1,216
Gold	6	124	7	126
	53,701	55,105	51,194	52,942

The estimated fair value of cash and short-term deposits is deemed equal to their carrying value given their short term to maturity. SDRs are translated into Canadian dollar equivalents at rates prevailing on the balance sheet dates.

Estimated fair values of marketable securities are based on quoted market prices. If such prices are not available, the fair value is determined by discounting future cash flows using an appropriate yield curve. During the year, no marketable securities have been written down to reflect other than temporary impairments in the fair value.

The estimated fair value of gold is based on London fixing of $1,133.12 at 31 March 2010 ($1,155.98 at 31 March 2009) per fine ounce.

Subsequent to 31 March 2010, the fair value of marketable securities and SDRs continued to fluctuate as a result of changes in market conditions. As discussed in notes 8(a) and 8(b), credit and market risks of marketable securities are managed in accordance with the Account's *Statement of Investment Policy* and the asset-liability management policy. These risk management practices mitigate the risk of fair value fluctuations of marketable securities.

9. Commitments

(a) Foreign currency swaps

Foreign currency swaps are agreements that exchange one type of obligation for another involving different currencies and the exchange of the principal amounts and interest payments. The Account may enter into short-term foreign currency swap arrangements with the Bank of Canada to assist the Bank in its cash-management operations. There were no drawings under this facility during the years ended 31 March 2010 or 31 March 2009, and there were no commitments outstanding at 31 March 2010.

(b) Foreign currency contracts

A foreign currency contract is a commitment to purchase or sell a foreign currency at the spot rate, requiring settlement within two days. In the normal course of operations, the Account enters into foreign currency contracts. At 31 March 2010, the Account was under contract to sell $1 million ($8 million at 31 March 2009) of foreign currency. Unrealized gains (losses) on foreign currency contracts are calculated using the 31 March 2010 exchange rates. As of that date, there were no unrealized net gains (losses) included in net revenue (nil at 31 March 2009). Outstanding foreign currency contracts were settled by 1 April 2010.

Exchange Fund Account—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010—*Concluded*

(c) Investment contracts

In the normal course of operations, the Account enters into investment contracts. The following table presents the fair value of investment contracts with contractual amounts outstanding at 31 March 2010. There were no outstanding investment contracts at 31 March 2009.

	2010		2009	
	Contractual value	Fair value	Contractual value	Fair value
Marketable securities—				
US dollars—				
Purchases..........	162	162		
Sales..............	22	20		
Euro—				
Purchases..........	50	50		
Sales..............	51	50		

10. Comparative figures

Certain of the 2009 comparative figures have been reclassified to conform to the current year's presentation.

SECTION 9

2009-2010

PUBLIC ACCOUNTS OF CANADA

Loans, Investments and Advances

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LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada acquired through the use of parliamentary appropriations, except for the portion of the investment balances representing adjustments for the equity of enterprise Crown corporations and other government business enterprises. Some of these appropriations permit repayments to be used for further loans and advances. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II.

The investment in enterprise Crown corporations and other government business enterprises is accounted for under the modified equity method and is carried at cost which is adjusted for the annual profits or losses of the enterprises and reduced by any dividends paid by the corporations to the Government. Under the modified equity method, the accounting policies of the enterprise Crown corporations and other government business enterprises are not adjusted to conform to the Government's accounting policies. The Government also reports any amounts receivable from or payable to these corporations and where the Government has advanced funds to the corporations to support their direct lending activities, the amounts are recorded as loans and advances by the Government.

Other loans, investments and advances are initially recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the approximate net realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Balances of loans, investments and advances resulting from foreign currency transactions are reported at year-end closing rates of exchange; net gains and losses related to these sovereign loans are presented with the return on investments from these loans under other program revenues.

The allowance established to reflect reductions from the recorded value to the approximate net realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under subsection 63(2) of the *Financial Administration Act*.

Revenues received during the year on loans, investments and advances, are credited to other revenues; details are provided in Section 3 of this volume and in Section 11 of Volume III.

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 9.1

LOANS, INVESTMENTS AND ADVANCES

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
Enterprise Crown corporations and other government business enterprises, Table 9.2	104,049,410,567	126,908,944,433	101,434,856,359	129,523,498,641
Portfolio investments, Table 9.11	109,287,466	4,012,980	6,355,984	106,944,462
National governments including developing countries, Table 9.12	736,524,481	56,669,056	291,471,663	501,721,874
International organizations, Table 9.13	15,381,316,756	914,012,186	460,102,884	15,835,226,058
Provincial and territorial governments, Table 9.14	3,526,816,431	204,519,863	794,637,060	2,936,699,234
Other loans, investments and advances, Table 9.15	20,400,358,539	19,994,583,702	15,068,325,021	25,326,617,220
	144,203,714,240	148,082,742,220	118,055,748,971	174,230,707,489
Less: allowance for valuation	19,110,051,159	7,110,775,548	9,550,531,479	21,549,807,090
Total	125,093,663,081	155,193,517,768	127,606,280,450	152,680,900,399

Enterprise Crown Corporations and Other Government Business Enterprises

Loans and advances to, and investments in, enterprise Crown corporations and other government business enterprises represent the balance of financial claims held by the Government against corporations and entreprises for working capital, capital expenditures and other purposes, investments in the capital stock of corporations, and loans and advances to corporations and entreprises for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries.

Enterprise Crown corporations are a type of government business enterprise and are defined as those Crown corporations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected Crown corporations listed in Part I, all the Crown corporations listed in Part II of Schedule III of the *Financial Administration Act* and the Bank of Canada. Although a Crown corporation, the Canada Pension Plan Investment Board is not part of the Government reporting entity since its mandate is to manage an investment portfolio on behalf of the Canada Pension Plan which is itself excluded from the reporting entity.

There are also a number of self-sustaining government business enterprises that are not considered Crown corporations within the meaning of the *Financial Administration Act*, but which are controlled by the Government and in most cases accountable to Parliament through a Minister of the Crown for the conduct of their affairs. These are referred to as "other government business enterprises" and include the Canadian Wheat Board and the various Port Authorities.

Most of the enterprise Crown corporations and other government business enterprises are agents of Her Majesty for the conduct of all or part of their activities. This status is granted in one of the following ways:

i. designation by Parliament, through a special act of incorporation;

ii. statutory authorization; or,

iii. proclamation by the *Government Corporations Operation Act*.

Further information on the business and activities of all parent Crown corporations and information on all Crown corporations and other corporate interests of Canada is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. Although no longer included as part of this Report, a compilation of the audited financial statements of the parent Crown corporations is also available upon request.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations and other government business enterprises.

TABLE 9.2

ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
Investments—				
Investments and accumulated profits/losses (Table 9.5)	25,166,870,950	7,134,174,000	1,390,630,000	30,910,414,950
Loans and advances[1]**—**				
Canada Mortgage and Housing Corporation—				
Housing	3,074,039,488		102,294,191	2,971,745,297
Real estate	37,780,889		6,499,115	31,281,774
Joint projects	774,612,735		56,583,410	718,029,325
Student housing projects	172,335,334		13,168,385	159,166,949
Sewage treatment projects	123,784,698		27,248,439	96,536,259
	4,182,553,144		*205,793,540*	*3,976,759,604*
Finance—				
Business Development Bank of Canada	7,284,000,000	22,401,103,000	17,440,093,290	12,245,009,710
Canada Lands Company Limited	38,874,015	5,984,377	1,530,218	43,328,174
Canada Mortgage and Housing Corporation	57,680,825,276	20,038,671,676	9,434,801,582	68,284,695,370
Farm Credit Canada	11,450,105,000	77,136,616,000	72,655,271,000	15,931,450,000
	76,453,804,291	*119,582,375,053*	*99,531,696,090*	*96,504,483,254*
Other—				
Canadian Dairy Commission	100,127,800	172,507,897	183,601,148	89,034,549
Subtotal—Loans and advances	80,736,485,235	119,754,882,950	99,921,090,778	100,570,277,407
Less:				
Amount expected to be repaid from future appropriations	1,861,211,000		102,733,683	1,963,944,683
Unamortized discounts and premiums	(7,265,382)	19,887,483	20,401,898	(6,750,967)
Total—Loans and advances	78,882,539,617	119,774,770,433	100,044,226,359	98,613,083,691
Total	104,049,410,567	126,908,944,433	101,434,856,359	129,523,498,641

[1] These loans are recorded at cost.

The results and financial position of enterprise Crown corporations and other government business enterprises are detailed at Tables 9.3 to 9.5. These tables also show the breakdown of the equity of each corporation between accumulated profits and losses, contributed surplus and capital stock, as well as the details of the Government's investment under the modified equity accounting method.

The Government of Canada has also made loans and advances to various enterprise Crown corporations and other government business enterprises. The following describes loans which were outstanding as of March 31, 2010 or 2009.

Canada Mortgage and Housing Corporation

The Corporation was incorporated, on January 1, 1946, by the *Canada Mortgage and Housing Corporation Act*. The Corporation's mandate, as stated in the *National Housing Act*, is to promote the construction, repair and modernization of housing, the improvement of housing and living conditions, housing affordability and choice, the availability of low-cost financing for housing, and the national well-being of the housing sector. Advances have been made to the Canada Mortgage and Housing Corporation to support various programs undertaken by the Corporation.

Housing

Advances made for moderate to low income housing bear interest at rates from 4.50 percent to 16.10 percent per annum, and are repayable over 1 to 50 years, with the final instalment due on March 31, 2037.

Real estate

Advances made for the acquisition and development of real estate bear interest at rates from 9.50 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment due on June 30, 2036.

Joint projects

Advances made to undertake housing projects jointly with the provinces bear interest at rates from 3.50 percent to 17.96 percent per annum, and are repayable over 1 to 50 years, with the final instalment due on June 30, 2038.

Student housing projects

Advances made for student housing projects bear interest at rates from 5 percent to 10.05 percent per annum, and are repayable over 20 to 50 years, with the final instalment due on April 1, 2030.

Sewage treatment projects

Advances made to assist in the establishment or expansion of sewage treatment projects and the construction of trunk storm sewers bear interest at rates from 5 percent to 9.63 percent per annum, and are repayable over 20 to 50 years, with the final instalment due on March 31, 2023.

Business Development Bank of Canada

Direct lending to Crown corporations

The Business Development Bank of Canada (BDC) was established in 1974 by the *Federal Business Development Bank of Canada Act* and was continued under its current name by an Act of Parliament on July 13, 1995. The Corporation is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*, is wholly-owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

The role of the Corporation is to promote and assist in the establishment and development of business enterprises in Canada, with specific attention to small and medium-sized businesses. The Corporation provides a wide range of lending, investment and consulting services complementary to those of commercial financial institutions. The Corporation offers Canadian companies services tailored to meet the current needs of small and medium-sized businesses while earning an appropriate return on investment capital, which is used to further the Corporation's activities.

Pursuant to Section 19 of the *Business Development Bank of Canada Act*, the federal government, at the request of the Corporation, may lend money to the Corporation on any terms and conditions that the Minister of Finance may fix.

Included in loans and advances to BDC is $3,087 million in outstanding lending related to the Canadian Secured Credit Facility (CSCF). CSCF was announced in Budget 2009 to purchase up to $12,000 million of term asset-backed securities backed by loans and leases on vehicles and equipment. The facility is managed by BDC within parameters jointly developed by the Department of Finance, Industry Canada, and BDC following a consultation process. The program was designed to reflect reasonable commercial terms and to encourage the return of a secondary market for this type of asset-backed security.

All the loans outstanding at year end bear interest at rates from 0.13 percent to 3.54 percent per annum.

Canada Lands Company Limited

Canada Lands Company Limited (originally Public Works Lands Company Limited) was incorporated under the *Companies Act* in 1956 and was continued under the *Canada Business Corporations Act*. The Corporation is a Crown corporation named in Part I of Schedule III of the *Financial Administration Act* and is wholly-owned by the Government of Canada. The Corporation conducts its business through Canada Lands Company CLC Limited (CLC), its principal wholly-owned subsidiary. CLC's objective is to carry out a commercially-oriented and orderly disposal program of certain Government real properties and the management of certain select properties. In undertaking this objective, CLC may manage, develop and dispose of real properties, either in the capacity of owner or as agent of the Government.

CLC has acquired an interest in a number of real properties from the Government in consideration for the issuance of promissory notes, which bear no interest and are repayable from the proceeds of the sale of the properties in respect of which they were issued. The notes were discounted using the Consolidated Revenue Fund lending rate applicable to Crown corporations and recorded at their discounted value.

During the year, new notes have been issued for an amount of $4.2 million. An amount of $1.5 million was repaid during the year and an amount of $1.8 million was amortized to income. The balance in the account represents the balance of the notes receivable net of the corresponding unamortized discount.

Canada Mortgage and Housing Corporation

Direct lending to Crown corporations

Pursuant to Section 21(1) of the *Canada Mortgage and Housing Act*, the federal government, at the request of the Corporation, may, out of the Consolidated Revenue Fund, lend money to the Corporation on any terms and conditions that the Minister of Finance may fix.

Included in loans and advances to Canada Mortgage and Housing Corporation is $63,437 million in outstanding lending related to Insurance Mortgage Purchase Program.

All the loans outstanding at year end bear interest at rates from 0.15 percent to 4.24 percent per annum.

Farm Credit Canada

Direct lending to Crown corporations

The Farm Credit Canada was established in 1959 by the *Farm Credit Act* as the successor to the Canadian Farm Loan Board, and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation is wholly-owned by the Government of Canada and is not subject to the requirements of the *Income Tax Act*.

The Corporation's role is to enhance rural Canada by providing business and financial solutions for farm families and agribusiness. Additionally, the Corporation may deliver specific programs for the Government of Canada on a cost recovery basis.

Pursuant to Section 12(2) of the *Farm Credit Canada Act*, the federal government, at the request of the Corporation, may lend money to the Corporation on any terms and conditions that the Minister of Finance may fix.

All the loans outstanding at year end bear interest at rates from 0.13 percent to 3.84 percent per annum.

Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is $300,000,000 in accordance with the *Canadian Dairy Commission Act*. Currently, the Minister of Finance has authorized $175,000,000 for borrowings from the Consolidated Revenue Fund and $50,000,000 for a line of credit with members of the Canadian Payments Association.

The loans bear interest at rates from 0.4390 percent to 2.9818 percent per annum, and are repayable within one year.

Interest paid to the Government

Interest paid to the Government of Canada with respect to these loans in the years ended March 31, 2010 and 2009 is as follows:

	2009-2010	2008-2009
	(in millions of dollars)	
Corporation—		
Business Development Bank of Canada	34.1	105.8
Canada Mortgage and Housing Corporation	2,118.5	918.8
Canadian Dairy Commission	1.1	2.7
Farm Credit Canada	89.7	168.5
Total	2,243.4	1,195.8

Summary Financial Statements of Enterprise Crown Corporations and Other Government Business Enterprises

The following tables display details of the assets, liabilities, equity, revenues and expenses of enterprise Crown corporations and other government business enterprises.

Tables 9.3 to 9.5 present the assets, liabilities, equity, revenues, expenses and other changes in equity of enterprise Crown corporations and other government business enterprises grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part I of Schedule III of the *Financial Administration Act* and of other competitive and self-sustaining government business enterprises.

For those corporations having year ends other than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation and other government business enterprise in accordance with its own respective accounting policies. Most enterprise Crown corporations follow Canadian generally accepted accounting principles (GAAP) for private sector.

Financial assets include cash and cash equivalents, receivables, loans and investments. Financial assets are segregated between third parties and Government, Crown corporations and other entities. The financial assets reported under Government, Crown corporations and other entities represent receivables, loans and investments between related parties. Non-financial assets represent the unexpensed portion of capital assets, inventories and prepayments such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government, Crown corporations and other entities. Borrowings from third parties represent amounts repayable to financial institutions and other investors. Other third party liabilities are amounts due for purchases, pensions and other employee future benefits, accrued interest on borrowings, various other accrual, capital leases and sundry accounts payable. The liabilities reported under Government, Crown corporations and other entities represent payables and borrowings between related parties.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations, when applicable. Expenses are segregated between third parties and Government, Crown corporations and other entities. Equity adjustments and other include prior period adjustments and other miscellaneous items recorded by the corporations and enterprises. Equity transactions with the Government include dividends declared or transfers of profits to the Government, as well as equity contributions provided by the Government. Other comprehensive income or loss comprises certain unrealized gains and losses on financial instruments that are recognized in comprehensive income, but excluded from net income. Upon realization, these gains and losses are included in net income. Any intergovernmental transactions are eliminated as part of the modified equity accounting adjustment.

These tables present financial information on parent enterprise Crown corporations and other government business enterprises, as well as financial information on wholly-owned subsidiaries that are considered "deemed parent Crown corporations" and thus reported under the modified equity basis of accounting and excluded from the consolidated financial statements of their parent Crown corporations.

Enterprise Crown corporations and other government business enterprises are also categorized as being either agents or non-agents of the Crown. Agent status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In some situations, agent status may be restricted to certain designated activities of a corporation.

A summary of financial assistance to enterprise Crown corporations and other government business enterprises for the year ended March 31, 2010 is provided in Table 9.10.

TABLE 9.3

SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES BY SEGMENT

(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2010						
Assets						
Financial—						
Third parties	5,260,670	22,090,695	334,458,233	2,145,762	63,001	364,018,361
Government, Crown corporations and other entities	986,760	49,003,954	13,343,760	8,169	49,163	63,391,806
Total financial assets	6,247,430	71,094,649	347,801,993	2,153,931	112,164	427,410,167
Non-financial assets	6,836,528	264,656	1,072,207	1,078,819	36,793	9,289,003
Total assets as reported	13,083,958	71,359,305	348,874,200	3,232,750	148,957	436,699,170
Elimination adjustments	32,395		(380,900)			(348,505)
Total assets	13,116,353	71,359,305	348,493,300	3,232,750	148,957	436,350,665
Liabilities						
Third parties—						
Borrowings	626,566		211,114,805	1,715,154	8,117	213,464,642
Bank of Canada notes in circulation and amounts owing to depositors		57,093,153				57,093,153
Other liabilities	4,393,142	467,927	13,453,029	1,427,876	89,149	19,831,123
Government, Crown corporations and other entities	250,220	13,668,225	100,961,097	89,720	82,071	115,051,333
Total liabilities	5,269,928	71,229,305	325,528,931	3,232,750	179,337	405,440,251
Equity of Canada as reported	7,814,030	130,000	23,345,269		(30,380)	31,258,919
Elimination adjustments	32,395		(380,900)			(348,505)
Equity of Canada	7,846,425	130,000	22,964,369		(30,380)	30,910,414
Total liabilities and equity	13,116,353	71,359,305	348,493,300	3,232,750	148,957	436,350,665
Contingent liabilities	42,856	54,590	3,419,268		14,262	3,530,976
Contractual obligations	1,580,763	142,560	18,418,435	4,390	3,438	20,149,586
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2010						
Revenues						
Third parties	9,347,000	113,115	18,774,494	5,714,881	204,790	34,154,280
Government, Crown corporations and other entities—						
Financial assistance						
Other	561,033	1,569,144	509,910		118,768	2,758,855
Total revenues	9,908,033	1,682,259	19,284,404	5,714,881	323,558	36,913,135
Expenses						
Third parties	9,096,736	365,895	16,966,803	5,710,335	256,307	32,396,076
Government, Crown corporations and other entities	272,039	62,125	885,022	613	56,222	1,276,021
Total expenses	9,368,775	428,020	17,851,825	5,710,948	312,529	33,672,097
Net income or (loss) for the year	539,258	1,254,239	1,432,579	3,933	11,029	3,241,038
Equity of Canada, beginning of the year as reported	4,259,584	193,846	20,592,287	47,489	(42,511)	25,050,695
Adjustments and other	(44,538)		(338,893)	(43,422)	(32)	(426,885)
Elimination adjustments	32,395		(380,900)			(348,505)
Other comprehensive income or (loss)	(3,514)	(66,132)	236,435		1,134	167,923
Equity transactions with the Government—						
Dividends	(105,760)	(1,251,953)	(32,917)			(1,390,630)
Capital	3,169,000		1,455,778	(8,000)		4,616,778
Equity of Canada, end of the year	7,846,425	130,000	22,964,369		(30,380)	30,910,414

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES —ASSETS, LIABILITIES AND EQUITY AS AT MARCH 31, 2010

(in thousands of dollars)

	Assets			
	Financial			
Enterprise Crown corporations and other government business enterprises(1)	Third parties	Government, Crown corporations and other entities	Non-financial	Total assets
Competitive, self-sustaining				
Blue Water Bridge Authority	7,416	37,758	145,060	190,234
Canada Development Investment Corporation	3,173,141	39,913	12	3,213,066
Canada Hibernia Holding Corporation	99,367	103,780	120,238	323,385
Canada Lands Company Limited	63,506	1,334	473,372	538,212
Parc Downsview Park Inc.	1,578		42,692	44,270
Canada Post Corporation	1,485,397	743,153	3,799,949	6,028,499
Halifax Port Authority(2)	4,657	981	149,632	155,270
Montreal Port Authority(2)	82,840	37,514	240,518	360,872
Quebec Port Authority(2)	26,295	47	152,036	178,378
Ridley Terminals Inc.	11,602	104	19,999	31,705
Royal Canadian Mint	84,786	14,916	205,667	305,369
Saint John Port Authority(2)	15,725		69,209	84,934
Toronto Port Authority(2)	32,167		58,734	90,901
Vancouver Fraser Port Authority(2)	35,605	1,245	981,427	1,018,277
Other Canada Port Authorities(2)(3)	136,588	6,015	377,983	520,586
Total—Competitive, self-sustaining	*5,260,670*	*986,760*	*6,836,528*	*13,083,958*
Bank of Canada	*22,090,695*	*49,003,954*	*264,656*	*71,359,305*
Lending and Insurance				
Business Development Bank of Canada	17,495,847		184,080	17,679,927
Canada Deposit Insurance Corporation	379,987	1,580,208	3,709	1,963,904
Canada Mortgage and Housing Corporation	13,485,822	409,068	83,344	13,978,234
Canada Housing Trust	178,090,992	2,688,789		180,779,781
Insurance Programs	11,531,562	5,031,164	176,811	16,739,537
Securitization	62,133,820	3,294,658	6,650	65,435,128
Export Development Canada	31,277,621	339,873	477,050	32,094,544
Farm Credit Canada	20,062,582		140,563	20,203,145
Total—Lending and insurance	*334,458,233*	*13,343,760*	*1,072,207*	*348,874,200*
Marketing				
Canadian Commercial Corporation (4)				
Canadian Dairy Commission—Marketing operations	15,778		121,053	136,831
Canadian Wheat Board, The(5)	2,122,036	8,169	926,227	3,056,432
Freshwater Fish Marketing Corporation	7,948		31,539	39,487
Total—Marketing	*2,145,762*	*8,169*	*1,078,819*	*3,232,750*
Other				
Atlantic Pilotage Authority	3,377		8,002	11,379
Great Lakes Pilotage Authority	100		143	243
Laurentian Pilotage Authority	10,904		4,155	15,059
Pacific Pilotage Authority	10,117	2,441	11,664	24,222
St.Lawrence Seaway Management Corporation(5)	31,024	39,180	12,829	83,033
Capital Fund Trust	1,927	37		1,964
Employee Termination Benefits Trust Fund	5,552	7,505		13,057
Total—Other	*63,001*	*49,163*	*36,793*	*148,957*
Total	364,018,361	63,391,806	9,289,003	436,699,170
Elimination adjustments		(348,505)		(348,505)
Total	364,018,361	63,043,301	9,289,003	436,350,665

(1) All enterprise Crown corporations listed at the margin in this table are parent Crown corporations.
Although a Crown corporation, Canada Pension Plan Investment Board is designed to operate at arm's length from the Government and manages, on behalf of the Canada Pension Plan, funds not belonging to the Government, therefore, it is considered external to the Government reporting entity. The Public Sector Pension Investment Board is not included in the above list since its activities are included in the Government's results through pension accounting.

(2) Canada Port Authorities, which are not Crown corporations but considered other government business enterprises, are agents of the Crown for their port activities.

(3) Consists of the combined figures of the Canada Port Authorities of Belledune, Hamilton, Nanaimo, Port Alberni, Prince Rupert, Saguenay, Sept-Îles, St. John's, Thunder Bay, Trois-Rivières and Windsor.

(4) During the year, Canadian Commercial Corporation was reclassified as a consolidated Crown corporation and is now presented in Section 4 of this volume.

(5) These entities, which are not Crown corporations or agents of the Crown, are considered other government business enterprises.

Liabilities								
Third parties								
Borrowings	Other	Government, Crown corporations and other entities	Total liabilities	Accumulated profits/ (losses)	Contributed surplus	Capital stock	Equity of Canada	Total liabilities and equity
93,495	8,614	24	102,133	88,101			88,101	190,234
	25,310	605	25,915	(725,034)	3,912,184	1	3,187,151	3,213,066
	70,079	665	70,744	252,641			252,641	323,385
165,001	30,565	47,255	242,821	150,310	145,081		295,391	538,212
39,000	6,801	450	46,251	(23,473)	21,492		(1,981)	44,270
90,000	3,981,738	103,249	4,174,987	698,341	1,155,171		1,853,512	6,028,499
6,314	11,012	717	18,043	86,370	50,857		137,227	155,270
	64,527	708	65,235	58,374	237,263		295,637	360,872
21,769	18,806	84,172	124,747	31,355	22,276		53,631	178,378
	4,416	706	5,122	(173,459)	64,000	136,042	26,583	31,705
15,477	62,791	9,931	88,199	177,170		40,000	217,170	305,369
	4,670		4,670	18,605	61,659		80,264	84,934
18,053	22,779		40,832	50,069			50,069	90,901
129,983	58,757	1,343	190,083	677,935	150,259		828,194	1,018,277
47,474	22,277	395	70,146	207,327	243,113		450,440	520,586
626,566	*4,393,142*	*250,220*	*5,269,928*	*1,574,632*	*6,063,355*	*176,043*	*7,814,030*	*13,083,958*
	57,561,080	*13,668,225*	*71,229,305*	*100,000*	*25,000*	*5,000*	*130,000*	*71,359,305*
1,487,743	286,114	12,263,054	14,036,911	870,838	27,778	2,744,400	3,643,016	17,679,927
	1,107,060	391	1,107,451	856,453			856,453	1,963,904
4,421,450	480,105	8,908,981	13,810,536	142,698	25,000		167,698	13,978,234
180,440,218	376,283		180,816,501	(36,730)	10		(36,720)	180,779,781
	8,132,127	128,857	8,260,984	8,478,553			8,478,553	16,739,537
	777,728	63,662,719	64,440,447	994,681			994,681	65,435,128
23,000,507	2,185,231	2,812	25,188,550	5,572,794		1,333,200	6,905,994	32,094,544
1,764,887	108,381	15,994,283	17,867,551	1,787,869	547,725		2,335,594	20,203,145
211,114,805	*13,453,029*	*100,961,097*	*325,528,931*	*18,667,156*	*600,513*	*4,077,600*	*23,345,269*	*348,874,200*
	47,752	89,079	136,831					136,831
1,685,791	1,370,000	641	3,056,432					3,056,432
29,363	10,124		39,487					39,487
1,715,154	*1,427,876*	*89,720*	*3,232,750*					*3,232,750*
4,000	2,375		6,375	2,699	2,305		5,004	11,379
	6,241		6,241	(6,080)	82		(5,998)	243
	8,109		8,109	4,471	2,479		6,950	15,059
4,117	6,319		10,436	12,980	806		13,786	24,222
	66,101	44,413	110,514	(13,353)	(14,128)		(27,481)	83,033
	2	23,097	23,099	(21,135)			(21,135)	1,964
	2	14,561	14,563	(1,506)			(1,506)	13,057
8,117	*89,149*	*82,071*	*179,337*	*(21,924)*	*(8,456)*		*(30,380)*	*148,957*
213,464,642	76,924,276	115,051,333	405,440,251	20,319,864	6,680,412	4,258,643	31,258,919	436,699,170
				(348,505)			(348,505)	(348,505)
213,464,642	76,924,276	115,051,333	405,440,251	19,971,359	6,680,412	4,258,643	30,910,414	436,350,665

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES FOR THE YEAR ENDED MARCH 31, 2010

(in thousands of dollars)

	Revenues			
		Government, Crown corporations and other entities[1]		
Enterprise Crown corporations and other government business enterprises	Third parties	Financial assistance	Other	Total
Competitive, self-sustaining				
Blue Water Bridge Authority	20,842			20,842
Canada Development Investment Corporation	25,818		80,105	105,923
Canada Hibernia Holding Corporation	180,568			180,568
Canada Lands Company Limited	171,529		11,685	183,214
Parc Downsview Park Inc.	12,199		78	12,277
Canada Post Corporation	7,005,229		299,007	7,304,236
Halifax Port Authority	27,397			27,397
Montreal Port Authority	80,961		8,284	89,245
Quebec Port Authority	21,443		1,296	22,739
Ridley Terminals Inc.	32,387			32,387
Royal Canadian Mint	1,502,917		154,560	1,657,477
Saint John Port Authority	14,674			14,674
Toronto Port Authority	25,105			25,105
Vancouver Fraser Port Authority	157,481		951	158,432
Other Canada Port Authorities	68,450		5,067	73,517
Total—Competitive, self-sustaining	*9,347,000*		*561,033*	*9,908,033*
Bank of Canada	*113,115*		*1,569,144*	*1,682,259*
Lending and insurance				
Business Development Bank of Canada	705,715			705,715
Canada Deposit Insurance Corporation	204,911		23,898	228,809
Canada Mortgage and Housing Corporation	682,583		133,524	816,107
Canada Housing Trust	11,041,366		106,537	11,147,903
Insurance Programs	2,221,040		132,970	2,354,010
Securitization	1,467,414		110,883	1,578,297
Export Development Canada	1,623,687		2,098	1,625,785
Farm Credit Canada	827,778			827,778
Total—Lending and insurance	*18,774,494*		*509,910*	*19,284,404*
Marketing				
Canadian Commercial Corporation				
Canadian Dairy Commission—Marketing operations	261,776			261,776
Canadian Wheat Board, The	5,388,894			5,388,894
Freshwater Fish Marketing Corporation	64,211			64,211
Total—Marketing	*5,714,881*			*5,714,881*
Other				
Atlantic Pilotage Authority	19,393			19,393
Great Lakes Pilotage Authority	13,520			13,520
Laurentian Pilotage Authority	60,715			60,715
Pacific Pilotage Authority	57,288			57,288
St.Lawrence Seaway Management Corporation	53,726		55,637	109,363
Capital Fund Trust	6		63,130	63,136
Employee Termination Benefits Trust Fund	142		1	143
Total—Other	*204,790*		*118,768*	*323,558*
Total	34,154,280		2,758,855	36,913,135
Elimination adjustments				
Total net results	34,154,280		2,758,855	36,913,135
Less equity adjustments				
Share of annual profit				

The accompanying notes for Table 9.4 are an integral part of this table.

[1] The "Financial assistance" column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. Additional amounts representing capital and operating appropriations received by the corporations are included in "Equity transactions with the Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Expenses							Equity transactions with the Government		
Third parties	Government, Crown corporations and other entities	Total	Net income or (loss)	Equity beginning of year	Equity adjustments and other	Other comprehensive income or (loss)	Dividends	Capital	Equity end of year
18,738		18,738	2,104	85,997					88,101
28,422		28,422	77,501	41,350			(100,700)	3,169,000	3,187,151
91,610	17,674	109,284	71,284	261,357	(80,000)				252,641
149,504	5,643	155,147	28,067	267,790	(466)				295,391
16,929		16,929	(4,652)	3,255	(584)				(1,981)
6,856,850	179,597	7,036,447	267,789	1,583,759		1,964			1,853,512
22,813	1,049	23,862	3,535	133,692					137,227
105,226	7,364	112,590	(23,345)	322,890		(3,908)			295,637
17,892	1,296	19,188	3,551	51,015	(935)				53,631
21,200	2,783	23,983	8,404	18,179					26,583
1,564,026	49,751	1,613,777	43,700	144,326	38,908	(4,764)	(5,000)		217,170
12,692	362	13,054	1,620	78,643	1				80,264
23,571		23,571	1,534	47,337	(1,411)	2,609			50,069
103,086	5,904	108,990	49,442	778,753	(1)				828,194
64,177	616	64,793	8,724	441,241	(50)	585	(60)		450,440
9,096,736	*272,039*	*9,368,775*	*539,258*	*4,259,584*	*(44,538)*	*(3,514)*	*(105,760)*	*3,169,000*	*7,814,030*
365,895	*62,125*	*428,020*	*1,254,239*	*193,846*		*(66,132)*	*(1,251,953)*		*130,000*
662,212	37,444	699,656	6,059	2,189,564	222	5,710	(14,317)	1,455,778	3,643,016
327,456	3,313	330,769	(101,960)	970,224		(11,811)			856,453
360,564	471,589	832,153	(16,046)	201,814	(18,070)				167,698
10,839,561	99,135	10,938,696	209,207	10	(245,937)				(36,720)
1,311,126	289,203	1,600,329	753,681	7,156,040	2,640	566,192			8,478,553
2,097,972	(115,839)	1,982,133	(403,836)	1,422,106	(59,474)	35,885			994,681
916,074	6,153	922,227	703,558	6,376,660	(18,274)	(155,950)			6,905,994
451,838	94,024	545,862	281,916	2,275,869		(203,591)	(18,600)		2,335,594
16,966,803	*885,022*	*17,851,825*	*1,432,579*	*20,592,287*	*(338,893)*	*236,435*	*(32,917)*	*1,455,778*	*23,345,269*
				47,489	(39,489)			(8,000)	
259,075	613	259,688	2,088		(2,088)				
5,388,894		5,388,894							
62,366		62,366	1,845		(1,845)				
5,710,335	*613*	*5,710,948*	*3,933*	*47,489*	*(43,422)*			*(8,000)*	
18,170		18,170	1,223	3,781					5,004
15,445		15,445	(1,925)	(4,073)					(5,998)
57,705		57,705	3,010	3,938	2				6,950
53,415		53,415	3,873	9,913	(34)	34			13,786
111,557	246	111,803	(2,440)	(25,041)					(27,481)
2	55,846	55,848	7,288	(28,423)					(21,135)
13	130	143		(2,606)		1,100			(1,506)
256,307	*56,222*	*312,529*	*11,029*	*(42,511)*	*(32)*	*1,134*			*(30,380)*
32,396,076	1,276,021	33,672,097	3,241,038	25,050,695	(426,885)	167,923	(1,390,630)	4,616,778	31,258,919
				116,175	(507,938)	43,258			(348,505)
32,396,076	1,276,021	33,672,097	3,241,038	25,166,870	(934,823)	211,181	(1,390,630)	4,616,778	30,910,414
			(934,823)		934,823				
			2,306,215	25,166,870		211,181	(1,390,630)	4,616,778	30,910,414

Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.6 summarizes the borrowing transactions by agent and non-agent enterprise Crown corporations and other government business enterprises.

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations.

Borrowings by non-agent enterprise Crown corporations and other government business enterprises are not on behalf of Her Majesty, but may, at times be guaranteed by the Government.

As at March 31, 2010, an allowance for borrowings of enterprise Crown corporations and other government business enterprises was established at $50 million.

TABLE 9.6

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	Balance April 1/2009	Borrowings and other credits	Repayments and other charges	Balance March 31/2010
Agent enterprise Crown corporations				
Business Development Bank of Canada	2,353,883		866,140	1,487,743
Canada Lands Company Limited	153,158	16,302	4,459	165,001
Canada Mortgage and Housing Corporation	6,152,444	1,229	1,732,223	4,421,450
Canada Housing Trust	160,663,892	37,956,326	18,180,000	180,440,218
Canada Post Corporation	92,600	35,000	37,600	90,000
Canadian Commercial Corporation (1)	38,690		38,690	
Canadian Dairy Commission (Marketing operations)	386	17,825	18,211	
Export Development Canada	26,924,917	11,665,737	15,590,147	23,000,507
Farm Credit Canada	3,949,370	714,475	2,898,958	1,764,887
Freshwater Fish Marketing Corporation	34,341	29,363	34,341	29,363
Parc Downsview Park Inc.	17,080	21,920		39,000
Royal Canadian Mint, The	36,167	15,000	35,690	15,477
Total—Agent enterprise Crown corporations	200,416,928	50,473,177	39,436,459	211,453,646
Non-agent enterprise Crown corporations and other government business enterprises				
Atlantic Pilotage Authority	4,219		219	4,000
Blue Water Bridge Authority	96,330		2,835	93,495
Canadian Wheat Board, The	1,987,394	4,903,525	5,205,128	1,685,791
Halifax Port Authority (2)	7,367	(1,053)		6,314
Pacific Pilotage Authority	4,748		631	4,117
Quebec Port Authority (2)	20,926	843		21,769
Toronto Port Authority (2)	13,914	4,700	561	18,053
Vancouver Fraser Port Authority (2)	106,034	24,420	471	129,983
Other Canada Port Authorities (2)	50,011	3,864	6,401	47,474
Total—Non-agent enterprise Crown corporations and other government business entreprises	2,290,943	4,936,299	5,216,246	2,010,996
Total	202,707,871	55,409,476	44,652,705	213,464,642
Borrowings expected to be repaid by enterprise Crown corporations and other government business enterprises	202,627,019	55,409,476	44,621,760	213,414,735
Allowance for borrowings of enterprise Crown corporations and other government business enterprises expected to be repaid by the Government and reported on the Statement of Financial Position	80,852		30,945	49,907

(1) During the year, Canadian Commercial Corporation was reclassified as a consolidated crown corporation and is now presented in Section 4 of this volume.

(2) The Authority is an agent of the Crown only for its port activities. It is considered a non-agent of the Crown for borrowings purposes.

Maturity and Currency of Borrowings by Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.7 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations and other government business enterprises, as at March 31, 2010.

TABLE 9.7

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
2010	32,463,705	1,402,600	33,866,305
2011	30,758,661	37,218	30,795,879
2012	41,600,606	26,950	41,627,556
2013	46,859,316	16,382	46,875,698
2014	32,581,114	175,212	32,756,326
Subsequent years	27,190,244	352,634	27,542,878
Total	211,453,646	2,010,996	213,464,642 (1)

(1) The borrowings are composed of 17,517,138 USD, 1,709,095 GBP, 1,381,184 JPY, 223,740 AUD, 13,753 EUR, 416,848 Swiss Franc, 85,356 MXN, 579,859 NZD, 310,883 NOK, 275,771 HKD and 190,929,095 CAD.

Contingent Liabilities of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.8 summarizes the contingent liabilities of enterprise Crown corporations and other government business enterprises. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 9.8

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES

(in thousands of dollars)

	March 31, 2010
Bank of Canada—Callable shares	54,590
Canada Lands Company Limited—Loan guarantees	23,325
Canada Mortgage and Housing Corporation	5,000
Insurance Programs	3,500
Export Development Canada—Loan guarantees	3,415,565
Farm Credit Canada—Loan guarantees	3,703
Hamilton Port Authoriy—Miscellaneous litigations	351
St. John's Port Authority—Miscellaneous litigations	10,775
St.Lawrence Seaway Management Corporation—Miscellaneous litigations	3,136
Vancouver Fraser Port Authority—Miscellaneous litigations	11,031
Total	3,530,976

Contractual Obligations of Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.9 summarizes the contractual obligations of enterprise Crown corporations and other government business enterprises. A contractual obligation represents a legal obligation to third party organizations or individuals as a result of a contract. Contractual obligations are classified into three main categories: loans authorized but undisbursed, capital expenditures and operating leases.

TABLE 9.9

CONTRACTUAL OBLIGATIONS OF ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES AT MARCH 31, 2010

(in thousands of dollars)

	Loans	Capital expenditures	Operating leases and other	Total
Bank of Canada			142,560	142,560
Business Development Bank of Canada	1,960,764		144,551	2,105,315
Canada Deposit Insurance Corporation			12,677	12,677
Canada Hibernia Holding Corporation			26,727	26,727
Canada Lands Company Limited		16,487		16,487
Canada Mortgage and Housing Corporation	77,830			77,830
Canada Post Corporation			1,415,000	1,415,000
Canadian Dairy Commission—Marketing operations		3,766	624	4,390
Export Development Canada	12,775,807	47,000	620,168	13,442,975
Farm Credit Canada	2,720,900		58,738	2,779,638
Halifax Port Authority		1,526		1,526
Montreal Port Authority		7,548	4,101	11,649
Pacific Pilotage Authority			786	786
Royal Canadian Mint			71,642	71,642
St.Lawrence Seaway Management Corporation			2,652	2,652
Vancouver Fraser Port Authority		10,121	8,370	18,491
Other Canada Port Authorities			19,241	19,241
Total	17,535,301	86,448	2,527,837	20,149,586

Financial Assistance to Enterprise Crown Corporations and Other Government Business Enterprises

Table 9.10 summarizes financial assistance for both agent and non-agent enterprise Crown corporations and other government business enterprises. It should be read in conjunction with Table 9.5. The purpose for which payments have been made is segregated between: *(a)* amounts recorded as operating transactions and *(b)* amounts used for the acquisition of capital assets.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies.

TABLE 9.10

FINANCIAL ASSISTANCE TO ENTERPRISE CROWN CORPORATIONS AND OTHER GOVERNMENT BUSINESS ENTERPRISES
FOR THE YEAR ENDED MARCH 31, 2010

(in thousands of dollars)

	Operating	Capital	Financial assistance
Canada Post Corporation	131,176		131,176
Total	131,176		131,176

Portfolio Investments

Portfolio investments represent investments in entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada.*

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of portfolio investments.

TABLE 9.11
PORTFOLIO INVESTMENTS

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
Lower Churchill Development Corporation Limited— Natural Resources	14,750,000			14,750,000
Other—				
Co-operative Housing Project—Environment— Parks Canada Agency	337,106			337,106
Canada Pension Plan Investment Board— Finance	100			100
Airline Bankruptcy Proceedings— Foreign Affairs and International Trade—Export Development Canada	3,141,350		3,141,350	
Canada Investment Fund for Africa—Foreign Affairs and International Trade—Canadian International Development Agency	90,399,312	3,312,980	2,107,212	91,605,080
Equity Ownership—Industry—National Research Council of Canada	659,498		407,422	252,076
Public Sector Pension Investment Board— Treasury Board	100			100
IMRIS Inc.— Western Economic Diversification		700,000	700,000	
North Portage Development Corporation— Western Economic Diversification				
	94,537,466	4,012,980	6,355,984	92,194,462
Total	109,287,466	4,012,980	6,355,984	106,944,462

Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland and Labrador in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

Co-operative Housing Project

The Parks Canada Agency has invested in the Rocky Mountain II Co-operative Housing Association, along with five other entities, to provide accommodation for Parks Canada employees and employees of other entities in Banff, Alberta.

Canada Pension Plan Investment Board

The Canada Pension Plan Investment Board ("Board") was created pursuant to the *Canada Pension Plan Investment Board Act*. The Board's objectives are to assist the Canada Pension Plan (CPP) in meeting its obligations to contributors and beneficiaries and to manage any amounts transferred to it in their best interest.

The Government holds 100 percent of the share capital of the corporation that consists of 10 shares having a fair value of $10 each issued as per legislation. The assets managed by the Board are included in the CPP financial statements. They are excluded from the Government's financial statements since CPP is not part of the Government's reporting entity as explained in Note 1 of the Government's financial statements.

Airline Bankruptcy Proceedings

Pursuant to Section 23(6) of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to make any investment or enter into any transaction or any class of transactions necessary or desirable for the management of assets and liabilities arising out of any transaction that may be entered into pursuant to this section. On February 19, 2009 the Corporation was awarded 435,033 shares of an airline subject to bankruptcy proceedings at $5.73 US per share by the bankruptcy court. This represents concessions provided to the airline to assist them in exiting from bankruptcy protection. The shares have been sold and the net proceeds of $3,200,953 was used to reduce the impact of the concessions granted to the airline and other restructuring costs.

During the year, the account was closed.

Canada Investment Fund for Africa

The Canada Investment Fund for Africa (CIFA) is a joint public-private sector initiative designed to provide risk capital for private investments in Africa that generate growth. The CIFA is a direct response to the New Partnership for Africa's Development (NEPAD) and the G8 Africa Action Plan. The main objectives of the CIFA are to optimize public-private investment in the Fund, to confer a beneficial development impact on Africa by way of increased foreign direct investment and to optimize the beneficial impact of the Fund's activities on Canadian interests.

The Government of Canada is a limited partner in the CIFA and its commitment towards the Fund was subject to matching funds of other investors and was to be equal to the lesser of: *(i)* $100 million or *(ii)* the aggregated commitments of all other limited partners of the partnership. The investment period in the CIFA ended January 1, 2009. From thereon, until the term of the partnership is reached on October 31, 2013, the Canadian International Development Agency will only receive income returns of capital. Since its inception, the Canadian International Development Agency received capital reimbursement from CIFA amounting to $11.7 million and investment income of $4.9 million.

Equity Ownership

In order to help fulfill its mandate to promote industrial innovation in Canada, the National Research Council of Canada (NRC) has taken equity interests in several new firms based on NRC technology. NRC provides financial assistance at better than market conditions to firms through access to equipment, intellectual property and incubation space in laboratories and in the organization's Industry Partnership Facilities.

Since these companies often cannot afford to pay the full cost of the assistance received from the NRC, the NRC takes an equity position in a company in order to help the firms survive the critical development stage. In turn, it allows NRC to earn a return that somewhat reflects the risk taken should the company become successful.

This investment in equity is authorized under subsection 92(1)(b) of the *Financial Administration Act* which allows for the acquisition or the sale or other disposal of shares or assets in the ordinary course of a business of providing financial assistance to publicly and privately held companies and are recorded at cost.

The Government's holdings of shares represents a minority interest in three publically traded companies and thirteen privately held companies. During the year, the shares of four publically traded companies and one private company were sold.

Public Sector Pension Investment Board

The Public Sector Pension Investment Board ("Board") was created pursuant to the *Public Sector Pension Investment Board Act*. Its mandate is to invest in financial markets the funds transferred to it from the Public Service, Canadian Forces, Royal Canadian Mounted Police and Reserve Force pension plans. The Board's objective is to achieve maximum rates of return on investments, without undue risk while respecting the requirements and financial obligations of those plans.

The Government holds 100 percent of the share capital of the corporation that consists of 10 shares having a fair value of $10 each issued as per legislation. The assets managed by the Board are recorded against the pension liability.

IMRIS Inc.

IMRIS Inc. is a global leader in providing image guided therapy solutions using magnetic resonance, fluoroscopy and computed tomography to deliver on demand imaging during surgical procedures.

In 1999, the Department of Western Economic Diversification provided a conditionally repayable contribution to its predecessor organization, Innovative Magnetic Resonance Imaging Systems Inc., to allow it to upgrade the MRI system and set up a demonstration site at the Calgary Foothills Hospital. Repayment was conditional on the number of MRI units sold. As part of a major reorganization, and as settlement of the conditionally repayable debt, the Department received 208,054 shares in a new restructured company (IMRIS Inc.). The proceeds on the sale of these shares were used to retire the debt.

North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

National Governments Including Developing Countries

Loans to national governments consist mainly of loans for financial assistance, international development assistance to developing countries, and loans for development of export trade (administered by Export Development Canada).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 9.12

NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
Foreign Affairs and International Trade— Development of export trade (loans administered by Export Development Canada)	416,119,919	25,243,209	243,835,966	197,527,162
Foreign Affairs and International Trade— Canadian International Development Agency— Developing countries—International development assistance	320,222,510	24,613,228	40,694,029	304,141,709
National Defence— North Atlantic Treaty Organization—Damage claims recoverable	182,052	6,812,619	6,941,668	53,003
Total	736,524,481	56,669,056	291,471,663	501,721,874

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions without such authorization. Funding for such transactions is provided by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

Loan transactions with longer repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to national governments, together with their terms and conditions of repayments.

		Payments and other charges		Receipts and other credits		
	April 1/2009	Payments or other charges (1)	Revaluation	Receipts or other credits (2)	Revaluation	March 31/2010
	$	$	$	$	$	$
NON-BUDGETARY LOANS(3)—						
(a) 1 to 5 year term, interest based on London Interbank Offered Rate (LIBOR) plus 0 percent interest per annum, with final repayments in December 2010:						
Cameroon	1,027,375				199,410	827,965
(b) 6 to 10 year term, 0.5 percent to 9.34 percent interest per annum, with final repayments between March 2007 and March 2019:						
Argentina	33,410,708				6,387,812	27,022,896
Congo	1,502,704				183,694	1,319,010
Sudan	4,866,902				944,647	3,922,255
	39,780,314				*7,516,153*	*32,264,161*
(c) 11 to 15 year term, interest based on LIBOR plus 0.5 percent to 5.1 percent per annum, with final repayments between April 2018 and November 2024:						
Indonesia	1,755,226			904,767	290,821	559,638
Kenya	1,091,733				211,901	879,832
Pakistan	8,026,000			137,085	1,550,774	6,338,141
Venezuela	79,652,290			8,957,999	14,488,287	56,206,004
	90,525,249			*9,999,851*	*16,541,783*	*63,983,615*
Insurance claims paid during the year:						
Cuba	7,435,402		164,598	7,600,000		
Haiti	373,129					373,129
Russia	13,934,725				1,540,101	12,394,624
	21,743,256		*164,598*	*7,600,000*	*1,540,101*	*12,767,753*
Total—Non-budgetary loans	153,076,194		164,598	17,599,851	25,797,447	109,843,494
BUDGETARY LOANS(3)—						
(a) 16 to 20 year term, 0 percent interest per annum, with final repayment in March 2011:						
Thailand	3,022,780			1,828,032	367,684	827,064
(b) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 2015 and April 2018:						
Algeria	4,982,000			568,000		4,414,000
Indonesia	22,746,576			3,126,702	4,190,603	15,429,271
	27,728,576			*3,694,702*	*4,190,603*	*19,843,271*

	April 1/2009	Payments and other charges: Payments or other charges (1)	Payments and other charges: Revaluation	Receipts and other credits: Receipts or other credits (2)	Receipts and other credits: Revaluation	March 31/2010
	$	$	$	$	$	$
(c) 31 to 55 year term, 0 percent to 8.97 percent interest per annum, with final repayments between December 2010 and February 2045:						
Cameroon	14,727,553				2,858,562	11,868,991
China	557,662,418	249,824		15,526,776	107,347,565	435,037,901
Egypt	9,918,613			331,496	606,249	8,980,868
Gabon	9,849,124			276,037	1,887,623	7,685,464
India	55,863,005			1,374,851	10,770,599	43,717,555
Jamaica	6,802,399			197,196	1,308,957	5,296,246
Kenya	6,623,699			235,561	1,267,369	5,120,769
Morocco	96,046,014			2,763,703	18,485,196	74,797,115
Turkey	115,148,114			2,924,341	22,195,566	90,028,207
	872,640,939	*249,824*		*23,629,961*	*166,727,686*	*682,533,116*
Total—Budgetary loans	903,392,295	249,824		29,152,695	171,285,973	703,203,451
Subtotal	1,056,468,489	249,824	164,598	46,752,546	197,083,420	813,046,945
Less: portion expensed due to concessionary terms	640,348,570	24,828,787				615,519,783
Total	416,119,919	25,078,611	164,598	46,752,546	197,083,420	197,527,162

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

(3) Prior to April 1, 1987, these loans were authorized by miscellaneous non-budgetary authorities. Subsequently they were authorized by miscellaneous budgetary authorities.

Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Loans are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms. No new loans have been issued since April 1, 1986.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments.

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

In 2006-2007, the Government of Canada, as represented by the Canadian International Development Agency, entered into an agreement with the Government of Pakistan to forgive its outstanding $447,507,534 loan pursuant to Foreign Affairs and International Trade Vote 32c, *Appropriation Act No. 5, 2009-2010*. In order to expire its debt obligation, the Government of Pakistan will be required to make education sector investments that are equivalent to the current present value of its debt. According to the agreement, Pakistan's debt is to be written down proportionally by the Canadian International Development Agency as the investments are made in 2009-2010. The Government of Pakistan has invested in its education sector program and those investments permitted the Canadian International Development Agency to grant the Government of Pakistan a debt forgiveness equivalent to $16,147,699.

	April 1/2009	Payments and other charges	Receipts and other credits [1]	March 31/2010
	$	$	$	$
(a) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayment in March 2005:				
Cuba	9,547,012			9,547,012
(b) 35 year term, 4 year grace period, 5 percent interest per annum, semi-annual interest repayments with first principal repayment due January 2017 and final repayment in July 2026:				
Egypt	44,995,933			44,995,933
(c) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	6,175,264		427,722	5,747,542
Argentina	149,333		18,667	130,666
Bolivia	551,136		42,395	508,741
Brazil	209,135		20,914	188,221
Chile	784,495		49,031	735,464
Colombia	236,771		26,308	210,463
Dominican Republic	3,414,375		236,045	3,178,330
Ecuador	3,890,262		347,989	3,542,273
Guatemala	1,781,250		100,000	1,681,250
Indonesia	174,489,401		11,541,925	162,947,476
Malaysia	1,419,818		62,935	1,356,883
Malta	374,982		25,002	349,980
Mexico	22,170		2,771	19,399
Morocco	6,622,395		586,002	6,036,393
Myanmar (Burma)	8,306,202			8,306,202
Pakistan	447,507,534		16,147,699	431,359,835
Paraguay	159,969		29,994	129,975
Peru	33,557		3,729	29,828
Philippines	1,549,109		97,159	1,451,950
Sri Lanka	81,038,691		5,539,802	75,498,889
Thailand	17,092,552		847,120	16,245,432
Tunisia	48,584,343		3,295,729	45,288,614
	804,392,744		*39,448,938*	*764,943,806*
(d) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in March 2023:				
Algeria	17,431,279		1,245,091	16,186,188
Subtotal	876,366,968		40,694,029	835,672,939
Less: portion expensed due to concessionary terms	556,144,458	24,613,228		531,531,230
Total	320,222,510	24,613,228	40,694,029	304,141,709

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

[1] Receipts and other credits may include transactions such as repayments, forgiveness, etc.

North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represents a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 11.6 (Section 11 of this volume).

Most loans and advances to international organizations are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are recorded in full or in part as expenses when the economic value is reduced due to their concessionary terms.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. The revaluation amount represents the conversion of foreign currency balances to the year-end closing rates of exchange. Balances denominated in United States dollars were converted to Canadian dollars at year-end exchange rate of ($1 US/$1.0158 Cdn).

Tables 11.4 and 11.6 (Section 11 of this volume) present additional information on contractual obligations and contingent liabilities for international organizations that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The notes payable outstanding at year end of $418,098,181 ($430,177,279 in 2009) are reported in Table 5.3 (Section 5 of this volume).

TABLE 9.13
INTERNATIONAL ORGANIZATIONS

		Payments and other charges		Receipts and other credits		
	April 1/2009	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	March 31/2010
	$	$	$	$	$	$
Capital subscriptions[1]—						
Finance—						
European Bank for Reconstruction and Development	272,690,118				53,076,527	219,613,591
International Bank for Reconstruction and Development (World Bank)	419,558,402				78,470,144	341,088,258
International Finance Corporation	102,596,665				19,969,461	82,627,204
Multilateral Investment Guarantee Agency	13,536,587				2,634,767	10,901,820
	808,381,772				*154,150,899*	*654,230,873*
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank	120,055,232				11,078,194	108,977,038
Asian Development Bank	192,607,872				31,366,189	161,241,683
Caribbean Development Bank	23,364,328				3,332,718	20,031,610
Inter-American Development Bank	226,405,694				43,421,809	182,983,885
	562,433,126				*89,198,910*	*473,234,216*
	1,370,814,898				*243,349,809*	*1,127,465,089*

TABLE 9.13
INTERNATIONAL ORGANIZATIONS—*Concluded*

		Payments and other charges		Receipts and other credits		
	April 1/2009	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	March 31/2010
	$	$	$	$	$	$
Loans and advances—						
Finance—						
Global Environment Facility[2]	10,000,000					10,000,000
International Development Association[2]	8,195,938,061	384,280,000				8,580,218,061
International Finance Corporation—Global Agriculture and Food Security Program		48,000,000				48,000,000
International Finance Corporation—Global Trade Liquidity Program		216,220,000			13,060,000	203,160,000
International Monetary Fund—Poverty Reduction and Growth Trust[1][3]	304,345,596			72,230,871	50,149,674	181,965,051
	8,510,283,657	*648,500,000*		*72,230,871*	*63,209,674*	*9,023,343,112*
Foreign Affairs and International Trade—						
International organizations and associations[1]—						
Berne Union of the World Intellectual Property Organization	39,192					39,192
Customs Co-operation Council	9,662					9,662
Food and Agriculture Organization	1,051,200					1,051,200
General Agreement on Tariffs and Trade	48,806					48,806
International Maritime Organization	2,202					2,202
International Atomic Energy Agency	447,110					447,110
International Civil Aviation Organization	200,429					200,429
Paris Union of the World Intellectual Property Organization	100,989					100,989
United Nations Educational, Scientific and Cultural Organization	872,987					872,987
United Nations organizations	3,632,480					3,632,480
World Health Organization	181,122					181,122
	6,586,179					*6,586,179*
Canadian International Development Agency—						
International financial institutions[2]—						
African Development Bank	1,468,896			125,000		1,343,896
African Development Fund	2,033,802,895	100,799,999			18,412,486	2,116,190,408
Andean Development Corporation	1,812,500			125,000		1,687,500
Asian Development Bank—Special	27,027,000					27,027,000
Asian Development Fund	1,972,054,260	47,690,125				2,019,744,385
Caribbean Development Bank—Agricultural Development Fund	2,000,000					2,000,000
Caribbean Development Bank—Commonwealth Caribbean Regional	5,045,200				982,000	4,063,200
Caribbean Development Bank—Special	217,464,690	17,585,000			3,081,025	231,968,665
Central American Bank for Economic Integration	650,280			76,500		573,780
Global Environment Facility Trust Fund	467,013,370	38,306,191				505,319,561
Inter-American Development Bank—Fund for Special Operations	382,282,725	813,695			44,356,490	338,739,930
Multilateral Investment Fund	33,490,172	6,316,667				39,806,839
International Bank for Reconstruction and Development	25,226,000				4,910,000	20,316,000
International Fund for Agriculture Development	229,383,396	50,000,000				279,383,396
International Monetary Fund	13,835,745				2,692,996	11,142,749
Montreal Protocol Multilateral Fund	83,493,658	3,834,018			6,551,033	80,776,643
	5,496,050,787	*265,345,695*		*326,500*	*80,986,030*	*5,680,083,952*
	14,012,920,623	*913,845,695*		*72,557,371*	*144,195,704*	*14,710,013,243*
Subtotal	15,383,735,521	913,845,695		72,557,371	387,545,513	15,837,478,332
Less: portion expensed due to concessionary terms	2,418,765	166,491				2,252,274
Total	15,381,316,756	914,012,186		72,557,371	387,545,513	15,835,226,058

[1] Loans and investments made prior to April 1, 1986 which were authorized by non-budgetary authorities.
[2] Loans and investments made since April 1, 1986 which were authorized by budgetary authorities.
[3] Formerly International Monetary Fund—Poverty Reduction and Growth Facility.

European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development (EBRD), as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 68,000 shares of the EBRD's authorized capital valued at $828.6 million US. Only $216.2 million US or about 26 per cent of Canada's share subscription is "paid-in". The balance is callable meaning the institution can request the resources in the unlikely event that it requires them to meet its financial obligations to bondholders. Payments for the share subscription are authorized by the Act. Each payment to the EBRD is comprised of cash and a promissory note.

As at March 31, 2010, Canada had paid-in shares valued at $216,197,668 US.

Canada's contingent liability for the callable portion of its shares is $612,420,000 US.

International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2010, Canada has subscribed to 44,795 shares. The total value of these shares is $5,403,844,825 US, of which $319,633,987 US plus $16,404,055 Cdn has been paid-in. The remaining portion is callable.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is $5,069 million US.

International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2010, Canada has subscribed to 81,342 shares. These shares have a total value of $81,342,000 US, all of which has been paid-in.

Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 2010, Canada has subscribed to 5,225 shares. The total value of these shares is $56,534,500 US, of which $10,732,250 US is paid-in and the remaining portion is callable.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is $45,802,250 US.

African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 8,175 paid-in shares and 73,473 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2010, Canada's participation to the paid-in capital is $108,977,038 Cdn for 8,175 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $984,917,646 Cdn and $177,333,450 US for a total value of $1,165,052,965 Cdn.

Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2010, Canada's participation to the paid-in capital is $161,241,683 Cdn for 12,961 paid-in shares. Of these paid-in shares, 10,591 were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $1,533,210,533 US and $596,976,219 Cdn for a total value of $2,154,411,478 Cdn.

Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2010, Canada's participation to the paid-in capital is $20,031,610 Cdn for 2,278 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $49,001,856 US for a total value of $49,776,085 Cdn.

Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 655,377 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 2010, Canada's participation to the paid-in capital is $182,983,885 Cdn for 14,397 paid-in shares. These shares were issued in US dollars.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of $7,866,208,680 US for a total value of $7,990,494,777 Cdn.

Global Environment Facility

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

As at March 31, 2010, advances to the GEF amounted to $10,000,000 Cdn.

International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts (including Finance Vote L10, *Appropriation Act No. 2, 2009-2010*). The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 2010, Canada's total participation in IDA amounted to $8,580,218,061 Cdn.

International Finance Corporation—Global Agriculture and Food Security Program

This account records Canada's financial assistance to the International Finance Corporation (IFC) for participation in the G8 Food Security Initiative (FSI) as authorized by the *Bretton Woods and related Agreements Act* and various appropriation acts (including Finance Vote L14b, *Appropriation Act No. 4, 2009-2010*).

As at March 31, 2010, advances to the IFC-FSI amounted to $48,000,000 Cdn.

International Finance Corporation—Global Trade Liquidity Program

This account records Canada's financial assistance to the International Finance Corporation (IFC) for participation in the Global Trade Liquidity Program (GTLP) as authorized by the *Bretton Woods and related Agreements Act* and various appropriation acts (including Finance Vote L12a, *Appropriation Act No. 3, 2009-2010*).

As at March 31, 2010, advances to the IFC-GTLP amounted to $200,000,000 US.

International Monetary Fund—Poverty Reduction and Growth Trust

This account records the loan to the International Monetary Fund's Poverty Reduction and Growth Trust (formerly the Poverty Reduction and Growth Facility) in order to provide assistance to qualifying low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at $550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 1.2 billion.

As at March 31, 2010, Canada has lent a total of 700,000,000 SDR to the Poverty Reduction and Growth Trust. Of this amount, 582,011,729 SDR has been repaid.

The outstanding balance of 117,988,271 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /$1.54223 Cdn). During the year, transactions included repayments and an exchange valuation adjustment.

Separately, Canada has also made budgetary contributions towards an interest subsidy amounting to 189,997,586 SDR, which do not appear in Table 9.13.

International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Votes L35, L35a and L35b, *Appropriation Acts No. 2, No.3 and No.4, 2009-2010*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of these loans is reduced due to their concessionary terms.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
NEWFOUNDLAND AND LABRADOR—				
Atlantic Canada Opportunities Agency—				
Loans to enterprises in Newfoundland and Labrador	456,680		456,680	
Finance—				
Federal-provincial fiscal arrangements	535,014,536	135,000	150,343,068	384,806,468
Municipal Development and Loan Board	315,626			315,626
Winter capital projects fund	2,836,758			2,836,758
	538,166,920	*135,000*	*150,343,068*	*387,958,852*
Total Newfoundland and Labrador	538,623,600	135,000	150,799,748	387,958,852
NOVA SCOTIA—				
Finance—				
Federal-provincial fiscal arrangements	232,990,278	248,250	33,319,824	199,918,704
Total Nova Scotia	232,990,278	248,250	33,319,824	199,918,704
PRINCE EDWARD ISLAND—				
Finance—				
Federal-provincial fiscal arrangements	26,554,874	36,750	3,798,792	22,792,832
Winter capital projects fund	63,079			63,079
Total Prince Edward Island	26,617,953	36,750	3,798,792	22,855,911
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrangements	145,625,102	200,250	20,832,216	124,993,136
Industry—				
Atlantic Provinces Power Development Act	689,616	35,603	480,875	244,344
Total New Brunswick	146,314,718	235,853	21,313,091	125,237,480
QUEBEC—				
Finance—				
Federal-provincial fiscal arrangements	1,628,043,376	36,096,000	323,828,208	1,340,311,168
Total Quebec	1,628,043,376	36,096,000	323,828,208	1,340,311,168
ONTARIO—				
Finance—				
Federal-provincial fiscal arrangements	(24,215,250)	24,215,250		
Mutual fund capital gain refund overpayments	664,978,808		132,995,762	531,983,046
Total Ontario	640,763,558	24,215,250	132,995,762	531,983,046

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
MANITOBA—				
Finance—				
Federal-provincial fiscal arrangements	32,568,262	314,250	4,697,496	28,185,016
Mutual fund capital gain refund overpayments	45,477,611		9,095,523	36,382,088
Total Manitoba	78,045,873	314,250	13,793,019	64,567,104
SASKATCHEWAN—				
Finance—				
Federal-provincial fiscal arrangements	304,022,934		29,171,958	274,850,976
Total Saskatchewan	304,022,934		29,171,958	274,850,976
ALBERTA—				
Finance—				
Federal-provincial fiscal arrangements	39,130,088		25,346,304	13,783,784
Total Alberta	39,130,088		25,346,304	13,783,784
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrangements	419,553,938	1,125,750	60,097,104	360,582,584
Total British Columbia	419,553,938	1,125,750	60,097,104	360,582,584
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrangements	173,250		173,250	
Total Yukon Territory	173,250		173,250	
NORTHWEST TERRITORIES—				
Finance—				
Federal-provincial fiscal arrangements	(376,500)	376,500		
Total Northwest Territories	(376,500)	376,500		
NUNAVUT—				
Finance—				
Federal-provincial fiscal arrangements	(53,250)	53,250		
Total Nunavut	(53,250)	53,250		
Subtotal	4,053,849,816	62,836,853	794,637,060	3,322,049,609
Less: portion expensed due to concessionary terms	527,033,385	141,683,010		385,350,375
Total	3,526,816,431	204,519,863	794,637,060	2,936,699,234

Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accepted these loans as full payment of moneys owing by the Corporation to Canada. These loans were administered by the Atlantic Canada Opportunities Agency.

During the year, loans totalling $456,680 in principal and $279,053 in interest were written off pursuant to Atlantic Canada Opportunities Agency Vote 7b, *Appropriation Act No. 4, 2009-2010* and the account was closed.

Federal-provincial fiscal arrangements

These amounts represent underpayments and overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. The underpayments are non-interest bearing and are paid in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.375 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments due between April 1, 2010 and March 1, 2011.

Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity.

Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in annual instalments, with final instalments due March 31, 2011.

Mutual fund capital gain refund overpayments

These amounts represent overpayments made to provinces under tax collection agreements for tax years 1997 to 1999 stemming from the misclassification of mutual fund trust capital gains refunds. Recoveries are non-interest bearing and will take place over a 10-year period which started in 2004-2005.

Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
Unconditionally repayable contributions—				
Atlantic Canada Opportunities Agency	331,626,956	37,485,913	42,042,887	327,069,982
Economic Development Agency of Canada for the Regions of Quebec	237,736,906	90,421,938	44,834,723	283,324,121
Indian Affairs and Northern Development	7,500	1,000,000		1,007,500
Industry	325,610,200	88,180,091	5,981,143	407,809,148
Natural Resources	2,659,962		2,659,962	
Western Economic Diversification	19,698,608	16,874,351	3,045,825	33,527,134
Subtotal	917,340,132	233,962,293	98,564,540	1,052,737,885
Less: portion expensed due to concessionary terms	23,628,515	16,281,259	25,389,425	32,736,681
Total—Unconditionally repayable contributions	893,711,617	250,243,552	123,953,965	1,020,001,204
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	39,490,072	216,947,387	230,028,735	26,408,724
Personnel posted abroad	18,053,392	15,802,210	13,319,118	20,536,484
	57,543,464	*232,749,597*	*243,347,853*	*46,945,208*
National Defence—				
Imprest accounts, standing advances and authorized loans	47,002,226	781,221,528	783,303,620	44,920,134
Other departments—				
Miscellaneous accountable advances	16,359,630		2,521,056	13,838,574
Miscellaneous accountable imprest and standing advances	18,324,930	685,285		19,010,215
	34,684,560	*685,285*	*2,521,056*	*32,848,789*
Total— Loans and accountable advances	139,230,250	1,014,656,410	1,029,172,529	124,714,131
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	52,323			52,323
National Marketing Programs	129,390,968	15,127,472		144,518,440
	129,443,291	*15,127,472*		*144,570,763*
Citizenship and Immigration—				
Immigration loans	33,654,092	13,314,633	8,980,247	37,988,478
Finance—				
Canadian Commercial Bank	42,252,429			42,252,429
Financial Consumer Agency of Canada—				
Advances		4,000,000	4,000,000	
	42,252,429	*4,000,000*	*4,000,000*	*42,252,429*
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315			128,315
Haddock fishermen	1,343,337			1,343,337
	1,471,652			*1,471,652*
Foreign Affairs and International Trade—				
Support and development of trade (loans administered by Export Development Canada)	2,351,504,721	15,953,119,134	12,025,682,522	6,278,941,333
Human Resources and Skills Development —				
Canada Student Loans Program(1)	12,014,056,810	2,484,619,273	1,542,628,641	12,956,047,442
Provincial workers' compensation boards	13,085,001	25,000		13,110,001
	12,027,141,811	*2,484,644,273*	*1,542,628,641*	*12,969,157,443*

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/2009	Payments and other charges	Receipts and other credits	March 31/2010
	$	$	$	$
Indian Affairs and Northern Development—				
Aboriginal Business Loan Insurance Program	7,191,713			7,191,713
Council of Yukon First Nations—Elders	7,295,643		593,323	6,702,320
Farm Credit Canada Guarantee Loans Program	123,646			123,646
First Nations in British Columbia	419,918,172	26,074,382	50,113,272	395,879,282
Indian Economic Development Fund	46,427			46,427
Indian Economic Development Guarantee Loans Program	3,175,960		11,283	3,164,677
Inuit Loan Fund	82,836		4,816	78,020
Native Claimants	428,909,420	32,715,280	13,995,790	447,628,910
On Reserve Housing Guarantee Loans Program	8,894,257	1,871,656	488,258	10,277,655
Stoney Band Perpetual Loan	389,615			389,615
	876,027,689	*60,661,318*	*65,206,742*	*871,482,265*
Industry—				
Company stock option				
Manufacturing, processing and service industries in Canada	110,000,000			110,000,000
Other Business loans	230,265,374	112,786,582	212,482,343	130,569,613
National Research Council of Canada—H. L. Holmes Fund	4,419,383	95,590		4,514,973
	344,684,757	*112,882,172*	*212,482,343*	*245,084,586*
Natural Resources—				
Nordion International Inc.	66,000,000		4,000,000	62,000,000
Public Safety and Emergency Preparedness—				
Correctional Service—Parolees	2,468	1,528	996	3,000
Public Works and Government Services—				
Seized Property Working Capital Account	18,646,910	48,175,187	48,079,943	18,742,154
Transport—				
Saint John Harbour Bridge Authority	22,646,108			22,646,108
St. Lawrence Seaway Management Corporation	167,397		89,923	77,474
	22,813,505		*89,923*	*22,723,582*
Treasury Board—				
Joint Learning Program	564,247	1,945,244	1,455,314	1,054,177
Veterans Affairs—				
Commonwealth War Graves Commission	54,285		8,043 (2)	46,242
Veterans' Land Act Fund—Advances	13,878		3,514	10,364
	68,163		*11,557*	*56,606*
Other departments—				
Miscellaneous	478,618	38,384	99,513	417,489
Subtotal—Other	15,914,754,353	18,693,909,345	13,912,717,741	20,695,945,957
Less: portion expensed due to concessionary terms and other discounts (1)	212,057,681	7,433,395	2,480,786	207,105,072
	15,702,696,672	18,701,342,740	13,915,198,527	20,488,840,885
Add: consolidation adjustment (3)	3,664,720,000	28,341,000		3,693,061,000
Total—Other	19,367,416,672	18,729,683,740	13,915,198,527	24,181,901,885
Total	20,400,358,539	19,994,583,702	15,068,325,021	25,326,617,220

(1) In previous years, the portion of unamortized discounts was reported within the Canada Student Loans Program. In the current year, this amount is presented as a reduction to the asset value balances in Table 9.15.

(2) This amount represents a revaluation adjustment.

(3) Additional information on consolidated Crown corporations and other entities is also provided in Section 4 of this volume.

Unconditionally repayable contributions

Unconditionally repayable contributions are, in substance loans, and are generally made to businesses pursuant to various Acts of Parliament, with various amounts outstanding.

These loans are aimed at stimulating economic development or for assistance. They bear various interest rates, some of which have concessional terms, and are repayable at various due dates with final instalments due within up to 10 years of initial disbursement.

Loans made on a long-term, low-interest or interest-free basis are recorded in part as expenses when the economic value of the loans is reduced due to their concessionary terms.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenses at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is $50,000,000.

Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time was $22,500,000 pursuant to Foreign Affairs Vote L11, *Appropriation Acts No. 1 and No. 2, 1989-90*. This amount was increased to $38,200,000 pursuant to Foreign Affairs and International Trade Vote L12c, *Appropriation Act No. 5, 2009-2010*.

The closing balance consists of loans to employees, $16,505,145; advances for medical expenses, $1,137,768; advances for workmen's compensation, $8,281; security and other deposits under Foreign Service Directives, $961,090 and, school and club debentures, $1,924,200.

The loans to employees bear interest at rates from 2.75 percent to 5.0 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 2010 and March 1, 2014.

Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: *(a)* public funds imprest and public funds advance accounts; *(b)* standing advances; *(c)* authorized loans and advances to employees posted abroad; and, *(d)* authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is $120,000,000, as last amended by National Defence Vote L11b, *Appropriation Act No. 4, 2001-2002*.

Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is $22,000,000.

Construction of multi-purpose exhibition buildings

The remaining loan has been made to finance the construction of a multi-purpose exhibition building.

The loan is currently in default and will continue to bear interest at a fixed rate of 8.511 percent per annum. The loan is guaranteed by the province; consequently, the province is being contacted to honor the loan guarantee.

National Marketing Programs

Loans made by financial institutions under the *Canadian Agricultural Loans Act* (formerly the *Farm Improvement and Marketing Cooperative Loans Act*) and advances made by producer organizations under the *Agricultural Marketing Programs Act* are guaranteed by the Crown. Where the guarantee is honoured, the Crown becomes subrogated to the financial institution's or producer organization's rights to outstanding principal, interest and costs.

Immigration loans

Section 88 of the *Immigration and Refugee Protection Act* authorizes the making of loans for the purpose of the Act.

The total amount authorized to be outstanding at any time is $110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

(a) repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, bearing interest at rates from 1.75 percent to 10.733 percent per annum, with final instalments between April 1, 2010 and April 1, 2016, $37,821,144; and,

(b) repayable by monthly instalments over 1 to 6 years, with a possible deferment of 2 years, non-interest bearing, with final instalments past due, $167,334.

During the year, loans totalling $820,949 were written-off pursuant to Citizenship and Immigration Vote 7b, *Appropriation Act No. 4, 2009-2010*.

Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

Financial Consumer Agency of Canada—Advances

Interest-bearing advances have been made to defray the cost of operation of the Agency pursuant to Section 13(1) of the *Financial Consumer Agency of Canada Act*.

During the year, the advances were repaid in full.

Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

Haddock fishermen

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is $1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. These loans are deemed unrecoverable and parliamentary authority is required to write off the balance.

Support and development of trade

Pursuant to section 23 of the *Export Development Act*, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize Export Development Canada ("the Corporation") to enter into certain transactions or class of transactions where the Minister is of the opinion it is in the national interest and where the Corporation has advised the Minister that it will not enter into such transactions without such authorization. Funding for such transactions is provided by the Minister of Finance out of the Consolidated Revenue Fund and the transactions are administered by the Corporation on behalf of the Government of Canada.

The *Budget Implementation Act, 2009*, amended the *Export Development Act* to expand the mandate of the Corporation for a two-year period to include the support and development of domestic trade, in addition to its traditional mandate related to export trade. During the year, no transactions were entered into in the support and development of domestic trade.

Loan transactions with longer repayment terms and/or low or zero interest rates are recorded in part as expenses when the economic value is reduced due to such concessionary terms.

Tables 11.4 and 11.5 (Section 11 of this volume) present additional information on contractual obligations and guarantees that are disclosed in the notes to the audited financial statements in Section 2 of this volume.

The following table presents the balances and transactions for loans made to non-sovereign entities, together with their terms and conditions of repayments.

		Payments and other charges		Receipts and other credits		
	April 1/2009	Payments or other charges [1]	Revaluation	Receipts or other credits [2]	Revaluation	March 31/2010
	$	$	$	$	$	$
Export Trade						
(a) 1 to 5 year term, interest based on the higher of 3.0 percent or the Canadian Dealer Offered Rate (CDOR) plus 9.75 percent interest per annum, with final repayment in April 2000 and July 2014:						
Brazil	4,167,046				808,808	3,358,238
Canada	18,903,000	144,244,000		60,511,000	2,636,000	100,000,000
	23,070,046	*144,244,000*		*60,511,000*	*3,444,808*	*103,358,238*
(b) 6 to 10 year term, 8.3 percent to 9.0 percent interest per annum, with final repayment in February 2008:						
Antigua	20,972,850				4,159,179	16,813,671
(c) 11 to 15 year term, variable interest rates currently ranging from 0 to 7.0 percent per annum, with final repayments between January 2015 and January 2023:						
United States	2,129,161,559			170,852,599	402,519,742	1,555,789,218
Cyprus		79,801,100			3,624,874	76,176,226
Norway		220,153,304			20,768,805	199,384,499
Sweden		135,364,194		1,277,383	5,829,398	128,257,413
	2,129,161,559	*435,318,598*		*172,129,982*	*432,742,819*	*1,959,607,356*
(d) 16 to 20 year term, 0 percent interest per annum, with final repayments between June 2012 and November 2014:						
Spain	19,282,386			736,539	3,353,680	15,192,167
Thailand	2,161,243			534,419	382,714	1,244,110
	21,443,629			*1,270,958*	*3,736,394*	*16,436,277*
(e) Term loan, interest based on the higher of 2.0 percent or CDOR plus 5.0 percent interest per annum, with final repayments between July 2015 and June 2017:						
Canada	250,000,000	4,398,361,474		1,869,144,265		2,779,217,209
(f) Term loan, interest based on the higher of 2.0 percent or the London Interbank Offered Rate plus 3.0 to 8.0 percent interest per annum, with final repayments between June 2009 and July 2010:						
United States		9,732,179,776	129,303,852	8,284,600,524	165,978,663	1,410,904,441
(g) Insurance claims paid during the year:						
United States		263,510				263,510
Less: portion to be remitted to the Ontario Financing Authority [3]	(83,333,333)	1,111,297,263		1,027,963,930		
	166,666,667	*15,242,102,023*	*129,303,852*	*11,181,708,719*	*165,978,663*	*4,190,385,160*
Subtotal	2,361,314,751	15,821,664,621	129,303,852	11,415,620,659	610,061,863	6,286,600,702
Less: portion expensed due to concessionary terms	9,810,030	2,150,661				7,659,369
Total—Export Trade	2,351,504,721	15,823,815,282	129,303,852	11,415,620,659	610,061,863	6,278,941,333

Note: Final repayment dates may change if loan amounts are rescheduled or restructured.

[1] Payments or other charges may include transactions such as loans, adjustments, etc.

[2] Receipts or other credits may include transactions such as repayments, forgiveness, etc.

[3] Pursuant to an agreement with the Ontario Financing Authority (OFA), the OFA contributed one-third of the balance of the term loan issued. As interest and principal was received on the term loan, one-third was remitted to the OFA. This agreement was administered by the Department of Finance.

Canada Student Loans Program

Direct loans to students

Loans issued on or after August 1, 2000 are operated under the authority of section 6.1 of the *Canada Student Financial Assistance Act*, which authorizes the Minister of Human Resources and Skills Development to enter into loan agreements directly with any qualifying student. Agreements are subject to the terms and conditions approved by the Governor in Council, on the recommendation of the Minister of Human Resources and Skills Development with the concurrence of the Minister of Finance.

The total amount of loans outstanding as at March 31, 2010 amounts to $12,492,760,738 ($11,518,377,204 as at March 31, 2009).

Risk-shared student loans

Loans issued prior to August 1, 2000 and on or after August 1, 1995 are amounts related to student loans subrogated to the Crown under the authority of the *Canada Student Financial Assistance Act*. The total amount of loans outstanding as at March 31, 2010 amounts to $159,985,777 ($157,374,423 as at March 31, 2009) for loans owned by Human Resources and Skills Development and $2,022,459,428 ($2,090,567,054 as at March 31, 2009) for loans under the current ownership of the financial institutions.

Maximum amount of direct and risk-shared student loans

The total amount of outstanding direct loans to students and risk-shared student loans issued under the authority of the *Canada Student Financial Assistance Act* may not exceed fifteen billion dollars, except as otherwise provided by an Appropriation Act or other Act of Parliament.

Guaranteed student loans

Loans issued prior to August 1, 1995 are amounts related to student loans subrogated to the Crown under the authority of the *Canada Student Loans Act*. The total amount of loans outstanding as at March 31, 2010 amounts to $303,300,927 ($338,305,183 as at March 31, 2009) for loans owned by Human Resources and Skills Development and $50,417,092 ($69,745,446 as at March 31, 2009) for loans under the current ownership of the financial institutions.

Provincial workers' compensation boards

This account is operated under the authority of subsection 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the Act on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

Aboriginal Business Loan Insurance Program

On December 1, 2006, Aboriginal Business Canada, including the Aboriginal Business Loan Insurance Program, formerly a program of Industry Canada, was transferred to the Department of Indian Affairs and Northern Development.

The Aboriginal Business Loan Insurance Program was established under the *Department of Industry, Science and Technology Act*, section 9 and paragraph 15 (1)(b), and Orders in Council PC 1990-370 and PC 1990-371, and amended under the *Department of Industry Act (1995)*, Part IV, paragraph 14 (1)(b).

Non-interest bearing loans have been made to Aboriginal Canadians to increase their commercial enterprise activity as a major step towards enhancing their economic self-reliance, by providing financial and advisory assistance at various stages and for several aspects of enterprise development.

Council of Yukon First Nations—Elders

Loans have been made to the Council of Yukon First Nations, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indian land claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Act No. 2, 2009-2010*.

The terms and conditions of the loans are as follows:

(a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;

(b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

(c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2010, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 2.28 percent to 3.61 percent per annum.

Farm Credit Canada Guarantee Loans Program

The Farm Credit Canada guarantee loans program was discontinued as of November 14, 1989. The last active loan guarantee has expired and no future loan guarantees will be given under this program.

As of March 31, 2010, the outstanding amount represents the remaining defaulted loans reimbursed to the lenders by the Minister. These loans are deemed unrecoverable and the balance will be written off in future years.

First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaties.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L35, *Appropriation Act No. 2, 2009-2010*.

The terms and conditions of the loans are as follows:

(a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;

(b) loans made before April 1, 2004 and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations;

(c) loans made between April 1, 2004 and March 31, 2010 and after the date on which an agreement-in-principle for the settlement of a treaty has been reached, shall be interest free, unless the loans become due and payable during this period; and,

(d) loans are due and payable by the First Nations and will pay the loan on the earliest of the following dates:

  i. date on which the treaty is settled;

  ii. twelfth anniversary of the first loan advance to the First Nations under the earliest First Nations' funding agreement;

  iii. seventh anniversary after the signing of an agreement-in-principal, or;

  iv. date the federal minister demands payment of the loans due to an event of default under this agreement or under any First Nations' funding agreement.

The interest-bearing and non-interest bearing portions of the loans outstanding at year end are $9,173,402 and $386,705,880 respectively. Rates are from 0.7503 percent to 4.545 percent per annum for the interest-bearing portion.

Indian Economic Development Fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is $48,550,835, as last amended by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

All outstanding loans bear interest at rates from 7 percent to 11.25 percent per annum.

Indian Economic Development Guarantee Loans Program

The Indian Economic Development Guarantee authority, established under Vote L53(b), *Appropriation Act No. , 1970*, amended under P.C. 1977-3608, authorized the department to guarantee loans for Indian businesses on a risk-sharing basis with commercial lenders. The guarantee level is not to exceed at any time $60,000,000, less the total amount of payments made to implement previous guarantees under that authority.

Simple interest, usually based on a percentage plus the prime rate, will accrue on the debt after payout. All payments, including accrued interest, remain as a debt of the client until recovered in full.

Inuit Loan Fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is $6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The remaining loan bears interest at a rate of 5.50 percent per annum.

Native Claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, loans were authorized by Indian Affairs and Northern Development Vote L30, *Appropriation Act No. 2, 2009-2010*.

The terms and conditions of the loans are as follows:

(a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;

(b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

(c) loans are due and payable as to principal and interest on the date on which the claim is settled, or on a date fixed in the agreement.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are $106,115,191 and $341,513,719 respectively. Rates are from 2.13 percent to 11.89 percent per annum for the interest-bearing portion.

On Reserve Housing Guarantee Loans Program

On Reserve Housing guarantees provide needed support to Indian or Indian bands residing on reserves or crown land. Reserves are, as such, non-mortgageable and the ministerial guarantee provides security to the lending institution in the event of a default by the client.

The total amount authorized to be outstanding at any time is $2.2 billion, as last amended by Indian Affairs and Northern Development Vote 5, *Appropriation Act No. 3, 1972*, Indian Affairs and Northern Development Vote 5d, *Appropriation Act No. 1, 1977*, Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 3, 1993-94*, Indian Affairs and Northern Development Vote 6a, *Appropriation Act No. 3, 1999-2000* and Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 2008-2009*.

If a loan made under the Minister's guarantee goes into default, the lender has recourse to the Minister for reimbursement. In 1987, a reserve for losses of $2 million per annum was established within the department's reference levels to cover all Guarantee Loan Programs administered by Indian Affairs and Northern Development. Such payments remain a debt of the First Nation to the Crown and interest is accrued and capitalized on these debts at the contract interest rate applicable at the time the loan was assigned to the Minister. Recovery of the debt is made to the extent possible, from the security used as collateral, such as trust money or land claim funds, or through repayment agreements.

Stoney Band Perpetual Loan

In 1946, loans were made to Stoney Band of Alberta for land acquisition beyond their treaty entitlement.

A loan not exceeding $500,000 was made to purchase additional land. Under the terms of the agreement, as stated in Treasury Board Minutes, P.C. 2/1437 dated April 11, 1946, the Band assigned monies accruing to them, from the rental of their water resources to provide interest payments at the rate of 3 percent annually on the amount of the loan that had actually been expended. In the same agreement, the Band resolved that the Department allots $200,000 to the Pekisko Group, and $300,000 for the additions to Morley Reserve.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, and authorized by Industry Vote L15, *Appropriation Act No. 2, 2009-2010*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

(a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,

- *i.* it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
- *ii.* it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and

(b) to authorize the sale or other disposition of any capital stock acquired.

Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

Loans are authorized by Industry Vote L20, *Appropriation Act No. 2, 2009-2010*. During the year, no loans were issued.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

Other Business loans

This account records money owed to the Government by borrowers upon default of loans that are subject to statutory authorities, pursuant to the *Small Business Loans Act* (SBLA), the *Canada Small Business Financing Act* (CSBFA), the capital leasing pilot project and the *Department of Industry Act*. These authorities provide for the payment of claims or the sharing of loan losses between lenders and the Government.

H. L. Holmes Fund

This account was established pursuant to paragraph 5(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to post-doctoral students to study at world famous graduate schools or research institutes under outstanding research persons.

Nordion International Inc.

A $100 million loan has been made to Nordion International Inc. for the construction of two nuclear reactors and related processing facilities to be used in the production of medical isotopes pursuant to an agreement reached on June 28, 1996 between MDS Health Group Ltd., Nordion International Inc. and Natural Resources Canada.

The secured loan is interest-free and fully repayable over 15 years commencing 42 months after the first loan drawdown was made.

Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is $50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven, if certain conditions are met.

Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is $50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

St. Lawrence Seaway Management Corporation

This account was established by subsection 80(1) of the *Canada Marine Act*. Loans previously managed by the St. Lawrence Seaway Authority are now managed by the St. Lawrence Seaway Management Corporation in accordance with an agreement between the Department of Transport and the Corporation. The repayments of these loans are recorded in this account.

The remaining loan bears interest at rates from 7 percent to 9.5 percent per annum, and is repayable at monthly rates, with the final instalment of the existing terms being March 2011.

Joint Learning Program

Advances have been made to the Public Service Alliance of Canada (PSAC) for the Joint Learning Program (JLP). Following the collective bargaining round of October 2004 and subsequently of 2008, a Memorandum of Understanding between the Treasury Board and PSAC was included in the collective bargaining agreements to provide funding for a JLP. The JLP is a negotiated partnership between PSAC and the Treasury Board of Canada Secretariat (TBS). It is intended to provide joint union-management learning opportunities in areas where both parties have roles and responsibilities, and for which the Employer does not already have a legal obligation to provide training in order to enhance labour relations in the public service.

Payments are made to PSAC under Vote 20 and are authorized under the terms of reference of the Program. The terms of reference include the program costs, funding conditions, payment conditions, timelines, as well as a schedule of payments. The schedule of payments provides for a 3-month advance from TBS to PSAC to provide for program delivery costs. When actual expenses are reported every three months, the advance is reversed and the expenditure is recorded.

Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

Veterans' Land Act Fund

Advances

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is $605,000,000.

Allowance for conditional benefits

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenses and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Other departments—Miscellaneous

This account represents amounts outstanding in the hands of agencies and individuals, at year end. This group records loans, investments and advances not classified elsewhere.

Consolidation adjustment

The consolidation adjustment reflects the total loans, investments and advances held by consolidated Crown corporations and other entities. These mainly include investments such as bonds, money market funds and fixed income securities.

Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated net realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

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SECTION 10

2009-2010

PUBLIC ACCOUNTS OF CANADA

Non-Financial Assets

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Non-financial assets 10.2
Tangible capital assets 10.4
Vehicles 10.6
Assets under capital leases. 10.6

NON-FINANCIAL ASSETS

Non-financial assets are assets that have an economic life that extends beyond the accounting period and that are intended for consumption in the normal course of operations. They are converted into expense in future periods and include tangible capital assets, inventories, and prepaid expenses.

Tangible capital assets consist of acquired, built, developed or improved tangible assets, which are intended to be used on a continuous basis and are not intended for sale in the ordinary course of business. For financial reporting purposes, tangible capital assets are grouped in the following categories: land, buildings, works and infrastructure, machinery and equipment, vehicles, leasehold improvements, assets under construction, and assets under capital leases.

Inventories are items of tangible property that are to be used in the delivery of program outputs. Some revolving funds and a few departments may have inventories held for resale to parties outside the Government.

Prepaid expenses are disbursements made, pursuant to a contract, before the completion of the work, delivery of the goods or rendering of the service or advance payments under the terms of contribution agreements.

Table 10.1 presents the non-financial assets by category.

TABLE 10.1

NON-FINANCIAL ASSETS BY CATEGORY

(in thousands of dollars)

	March 31/2010	March 31/2009
Net tangible capital assets, Table 10.2		
Land	1,459,013	1,409,985
Buildings	9,794,738	9,384,752
Works and infrastructure	4,852,103	4,743,539
Machinery and equipment	10,474,754	9,217,045
Vehicles, Table 10.3	12,621,416	14,078,560
Leasehold improvements	898,357	784,909
Assets under construction	11,932,502	10,275,122
Assets under capital leases, Table 10.4	3,020,699	3,432,529
	55,053,582	*53,326,441*
Inventories	6,191,972	6,347,774
Prepaid expenses	2,129,577	1,829,190
Total	63,375,131	61,503,405

CHART 10A

NON-FINANCIAL ASSETS BY CATEGORY AT MARCH 31, 2010

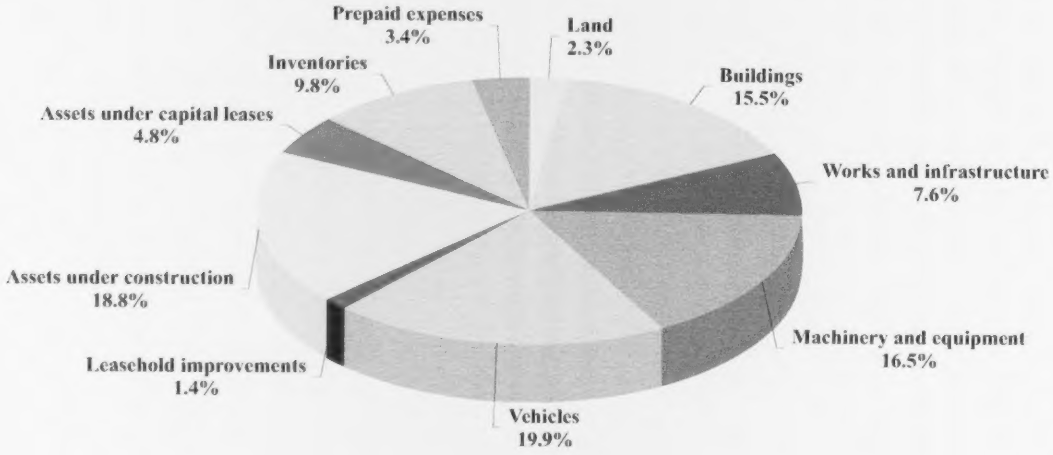
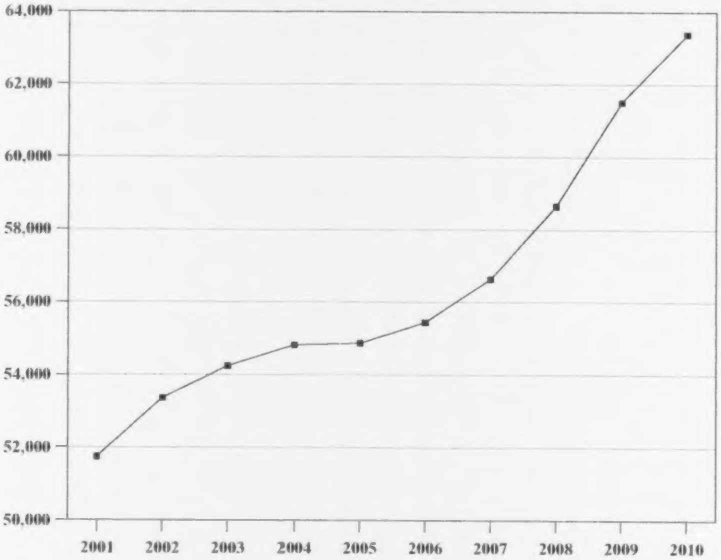


CHART 10B

NON-FINANCIAL ASSETS AT MARCH 31, 2010

(in millions of dollars)



Tangible Capital Assets

Table 10.2 presents tangible capital assets by main custodian ministries.

TABLE 10.2

TANGIBLE CAPITAL ASSETS BY MAIN CUSTODIAN MINISTRIES

(in thousands of dollars)

	Land	Buildings	Works and infrastructure	Machinery and equipment
Capital assets at cost				
Environment	184,330	870,018	2,413,838	791,772
Fisheries and Oceans	20,572	511,174	1,989,395	459,044
Foreign Affairs and International Trade	228,116	1,222,882	1,451	187,590
Industry	11,414	820,729	28,254	2,925,082
National Defence	81,867	6,957,377	2,059,646	18,669,964
Public Safety and Emergency Preparedness	64,643	2,755,844	509,257	1,194,695
Public Works and Government Services	220,955	3,586,677	756,002	296,502
Transport	254,347	992,978	2,766,448	209,799
Other ministries	27,490	1,393,736	73,917	2,821,123
	1,093,734	*19,111,415*	*10,598,208*	*27,555,571*
Consolidated Crown corporations and other entities	365,279	2,056,362	1,259,917	2,953,796
Gross total capital assets	1,459,013	21,167,777	11,858,125	30,509,367
Accumulated amortization				
Environment		601,348	1,624,661	580,040
Fisheries and Oceans		344,179	1,086,922	354,233
Foreign Affairs and International Trade		630,956	133	131,668
Industry		474,201	19,026	1,895,272
National Defence		2,949,762	1,144,588	12,025,099
Public Safety and Emergency Preparedness		1,260,604	320,697	752,550
Public Works and Government Services		2,452,402	342,871	232,074
Transport		653,220	1,734,763	150,253
Other ministries		888,948	31,589	1,865,697
		10,255,620	*6,305,250*	*17,986,886*
Consolidated Crown corporations and other entities		1,117,419	700,772	2,047,727
Total accumulated amortization		11,373,039	7,006,022	20,034,613
Total net capital assets				
Environment	184,330	268,670	789,177	211,732
Fisheries and Oceans	20,572	166,995	902,473	104,811
Foreign Affairs and International Trade	228,116	591,926	1,318	55,922
Industry	11,414	346,528	9,228	1,029,810
National Defence	81,867	4,007,615	915,058	6,644,865
Public Safety and Emergency Preparedness	64,643	1,495,240	188,560	442,145
Public Works and Government Services	220,955	1,134,275	413,131	64,428
Transport	254,347	339,758	1,031,685	59,546
Other ministries	27,490	504,788	42,328	955,426
	1,093,734	*8,855,795*	*4,292,958*	*9,568,685*
Consolidated Crown corporations and other entities	365,279	938,943	559,145	906,069
Total net capital assets	1,459,013	9,794,738	4,852,103	10,474,754

(1) Details can be found in Table 10.3.
(2) Details can be found in Table 10.4.

Vehicles[1]	Leasehold improvements	Assets under construction	Assets under capital leases[2]	Total March 31/2010	Total March 31/2009
147,347	37,893	451,555	34,858	4,931,611	4,682,667
1,786,004	555,814	543,618	525	5,866,146	5,575,093
129,491	194,806	189,810		2,154,146	1,997,767
29,016	56,177	309,061	65,312	4,245,045	4,081,742
26,966,870	31,120	7,170,179	976,245	62,913,268	59,925,116
636,330	71,701	648,531	15,493	5,896,494	5,517,310
10,336	568,571	1,245,986	2,330,491	9,015,520	8,542,354
739,111	17,548	128,670	818,883	5,927,784	5,904,198
152,722	383,510	689,341	34,904	5,576,743	5,172,874
30,597,227	*1,917,140*	*11,376,751*	*4,276,711*	*106,526,757*	*101,399,121*
1,220,432	212,045	555,751	549,638	9,173,220	8,651,701
31,817,659	2,129,185	11,932,502	4,826,349	115,699,977	110,050,822
104,047	24,055		9,710	2,943,861	2,837,904
1,303,578	362,629		342	3,451,883	3,313,263
45,336	103,494			911,587	816,569
22,090	23,358		13,942	2,447,889	2,262,300
15,821,478	14,294		441,440	32,396,661	30,233,597
334,909	24,639		310	2,693,709	2,446,032
6,212	281,554		942,092	4,257,205	3,921,868
543,856	10,957		105,098	3,198,147	3,087,443
99,250	269,563		15,247	3,170,294	2,897,559
18,280,756	*1,114,543*		*1,528,181*	*55,471,236*	*51,816,535*
915,487	116,285		277,469	5,175,159	4,907,846
19,196,243	1,230,828		1,805,650	60,646,395	56,724,381
43,300	13,838	451,555	25,148	1,987,750	1,844,763
482,426	193,185	543,618	183	2,414,263	2,261,830
84,155	91,312	189,810		1,242,559	1,181,198
6,926	32,819	309,061	51,370	1,797,156	1,819,442
11,145,392	16,826	7,170,179	534,805	30,516,607	29,691,519
301,421	47,062	648,531	15,183	3,202,785	3,071,278
4,124	287,017	1,245,986	1,388,399	4,758,315	4,620,486
195,255	6,591	128,670	713,785	2,729,637	2,816,755
53,472	113,947	689,341	19,657	2,406,449	2,275,315
12,316,471	*802,597*	*11,376,751*	*2,748,530*	*51,055,521*	*49,582,586*
304,945	95,760	555,751	272,169	3,998,061	3,743,855
12,621,416	898,357	11,932,502	3,020,699	55,053,582	53,326,441

Vehicles

Table 10.3 presents the details of vehicles by sub-category.

TABLE 10.3

VEHICLES BY SUB-CATEGORY
(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2010	March 31/2009
Ships and boats	13,600,722	7,689,379	5,911,343	7,083,315
Aircraft	13,249,043	8,238,759	5,010,284	5,404,779
Motor vehicles	2,068,626	1,306,289	762,337	736,863
Military vehicles	1,628,005	1,108,954	519,051	484,540
Other vehicles	1,271,263	852,862	418,401	369,063
Total	31,817,659	19,196,243	12,621,416	14,078,560

Assets under Capital Leases

Table 10.4 presents the details of assets under capital leases by main category.

TABLE 10.4

ASSETS UNDER CAPITAL LEASES BY MAIN CATEGORY
(in thousands of dollars)

	Cost	Accumulated amortization	March 31/2010	March 31/2009
Land	44,942		44,942	44,942
Buildings	3,068,832	1,278,845	1,789,987	1,760,755
Works and infrastructure	818,820	105,082	713,738	721,926
Machinery and equipment	63,669	25,435	38,234	28,996
Vehicles	830,086	396,288	433,798	875,910
Total	4,826,349	1,805,650	3,020,699	3,432,529

SECTION 11

2009-2010

PUBLIC ACCOUNTS OF CANADA

Contractual Obligations and Contingent Liabilities

CONTENTS

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Contractual obligations 11.2
Contingent liabilities 11.26

CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

This section contains detailed information related to contractual obligations and contingent liabilities.

Contractual Obligations

The nature of Government activities result in multi-year contracts and agreements, including various international treaties and protocols. Contractual obligations are financial obligations of the Government to others that will become liabilities when the terms of those contracts or agreements for the acquisition of goods and services or the provision of transfer payments are met. In the case of contractual obligations to international organizations, some will result in future budgetary expenses while others will result in non-budgetary payments.

Contractual obligations can be classified into four main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating leases and international organizations.

All outstanding contractual obligations of $10 million or more per project at year end are reported for fixed assets, purchases, operating leases and transfer payment agreements. For international organizations, all contractual obligations in excess of $1 million at year end are reported.

In accordance with the Government's significant accounting policies, the contractual obligations of consolidated Crown corporations are included with those of the Government.

Table 11.1 summarizes these contractual obligations. Details of the four types of contractual obligations can be found in other tables in this section.

TABLE 11.1
CONTRACTUAL OBLIGATIONS

(in millions of dollars)

	Transfer payments	Acquisition of property and purchases	Operating leases	International organizations	Total
Information from:					
Transfer payment agreements, fixed assets, purchases and operating leases, Table 11.3	60,514	27,238	3,015		90,767
International contractual obligations, Table 11.4				3,089	3,089
Total	60,514	27,238	3,015	3,089	93,856

Table 11.2 summarizes the information presented in Table 11.1 to indicate the minimum amounts required to satisfy obligations under contractual obligations each year from 2011 to 2015 inclusive, and a total for amounts due in the year 2016 and subsequently.

TABLE 11.2
SCHEDULE OF MINIMUM PAYMENTS

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Obligations under operating lease arrangements	Obligations to international organizations	Total
2011	17,955	7,545	309	1,200	27,009
2012	8,832	4,935	329	136	14,232
2013	7,578	3,945	317	116	11,956
2014	6,152	2,689	281	51	9,173
2015	2,984	1,304	229	51	4,568
2016 and subsequently	17,013	6,820	1,550	1,535	26,918
Total	60,514	27,238	3,015	3,089	93,856

Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 11.3 provides details of contractual obligations that involve: transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual obligations by category and by entity. Contractual obligations are summarized in Note 15 to the financial statements in Section 2 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchases are supported by contracts to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Transfer payment agreements—										
Agriculture and Agri-Food—										
Grant—										
Canadian Cattleman's Association										
Beef Market Development Legacy Fund	50	50	29	21	10	10	1			
Contributions—										
Suncor Energy Products Inc										
EcoAgriculture Biofuels Capital Initiative	25	25		25	25					
The Canadian Pork Council										
Hog Farm Transition Program	80	80	39	41	39	1		1		
Canadian Heritage—										
Contributions—										
Canadian Agreement on Minority Language Education and Second Official Language Introduction										
Government of Alberta	60	60	16	44	15	15	14			
Government of Newfoundland and Labrador	16	16	4	12	4	4	4			
Government of Nova Scotia	32	32	9	23	8	8	7			
Government of Saskatchewan	32	32	8	24	8	8	8			
Minister of Finance of Quebec	260	260	65	195	65	65	65			
Province of British Columbia	69	69	18	51	17	17	17			
Province of Manitoba	51	51	15	36	12	12	12			
Province of New Brunswick	88	88	23	65	22	22	21			
Province of Ontario	323	323	86	237	79	79	79			
Corporation of the Council of Ministers of Education, Canada										
Explore and Destination Clic Program	68	68	17	51	17	17	17			
Odyssey Program	28	28	7	21	7	7	7			
Society for Educational Visits and Exchanges in Canada										
Youth Exchanges Canada Program	23	23	5	18	5	5	4	4		
Citizenship and Immigration—										
Provincial agreements with regards to immigrant and settlement services										
Canada-British Columbia Agreement	803	803	128	675	135	135	135	135	135	
Canada-Manitoba Agreement	199	199	29	170	34	34	34	34	34	
Provincial agreement on immigration matters and on the selection of foreign nationals wishing to settle in Canada										
Canada-Quebec Agreement	1,500	1,500	232	1,268	254	254	254	253	253	

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Economic Development Agency of Canada for the Regions of Quebec—										
Community Futures Program	449	449	416	33	33					
Government of Quebec										
Infrastructure Canada Program	508	508	496	12	12					
Ministère des Finances du Québec										
Community Diversification Program	115	115	63	52	52					
Montréal International										
Business and regional growth program	52	52	26	26	4	2	2	2	2	14
Other contributions										
Business and regional growth program	385	385	262	123	99	23	1			
Community Diversification Program	373	373	244	129	92	33	1	1	1	1
Province of Quebec First Nations										
Recreational Infrastructure Canada Program	75	75	1	74	74					
Société du Parc Jean-Drapeau										
Community Diversification Program	25	25		25	5	5	5	5	5	
Finance—										
Toronto Waterfront Revitalization Initiative	402	344	317	27	27					
Foreign Affairs and International Trade—										
Department—										
The Ministry of Industry and Trade of the Russian Federation—										
Joint Stock Company	39	39	22	17	17					
The Russian Joint Stock Company										
Far Eastern Plant, Zvezda	16	16		16	14	2				
United Nations Office on Drugs and Crime	25	25	15	10	10					
Canadian International Development Agency—										
Countries of concentration	1,970	1,970	909	1,061	335	278	232	121	63	32
Fragile states and countries experiencing humanitarian crisis	742	742	439	303	173	85	23	15	5	2
Multilateral, International and Canadian Institutions	1,695	1,695	658	1,037	467	275	162	118	11	4
Selected countries and regions	736	736	398	338	118	85	67	38	10	20
Health—										
Department—										
Canadian Agency for Drugs and Technologies in Health	84	84	33	51	17	17	17			
Canadian Blood Services	14	14	3	11	4	4	3			
Canadian Institute for Health Information	356	356	192	164	82	82				
Canadian Partnership Against Cancer Corporation	240	240	135	105	55	50				
Canadian Patient Safety Institute	40	40	16	24	8	8	8			
First Nations and Inuit Health Services Transfer	446	446	177	269	99	52	34	34	12	38
Health Council of Canada	50	50		50	10	10	10	10	10	
McGill University	18	18	3	15	5	5	5			
Mental Health Commission of Canada	125	125	20	105	15	15	15	15	15	30
University of Ottawa	21	21	6	15	5	5	5			

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Public Health Agency of Canada—										
Hepatitis C										
Government of British Columbia	66	66	55	11	11					
Government of Ontario	132	132	110	22					22	
Human Resources and Skills Development—										
Abilities Centre Durham										
Enabling Accessibility Fund	15	15		15	15					
City of Toronto										
Homelessness Partnering Strategy	69	69	42	27	27					
Government of Alberta										
Labour Market Agreement	327	327	108	219	55	55	55	54		
Strategic Training and Transition Fund	40	40	17	23	23					
Government of British Columbia										
Labour Market Agreement	396	396	117	279	81	66	66	66		
Strategic Training and Transition Fund	57	57	26	31	31					
Targeted Initiative for Older Workers	26	26	10	16	10	6				
Government of Manitoba										
Labour Market Agreement	108	108	36	72	18	18	18	18		
Government of New-Brunswick										
Labour Market Agreement	67	67	21	46	13	11	11	11		
Government of Newfoundland and Labrador										
Labour Market Agreement	45	45	10	35	9	11	8	7		
Government of Nova Scotia										
Labour Market Agreement	83	83	23	60	16	16	14	14		
Government of Ontario										
Labour Market Agreement	1,163	1,163	388	775	194	194	194	193		
Strategic Training and Transition Fund	207	207	103	104	104					
Targeted Initiative for Older Workers	49	49		49	33	16				
Government of Prince Edward Island										
Labour Market Agreement	13	13	2	11	3	3	3	2		
Government of Quebec										
Labour Market Agreement	696	696	232	464	116	116	116	116		
Strategic Training and Transition Fund	120	120	64	56	56					
Targeted Initiative for Older Workers	59	59	20	39	26	13				
Government of Saskatchewan										
Labour Market Agreement	92	92	31	61	15	15	15	16		
Kativik Regional Government										
Aboriginal Human Resource Development Agreement	62	62	52	10	10					
Labrador Aboriginal Training Partnership										
Prepare Aboriginal workers for employment opportunities	15	15	2	13	5	8				
Saskatchewan Indian Training Assessment Group Inc										
Aboriginal Human Resource Development Agreement	136	136	124	12	12					
The National Council of Young Men's Christian Association of Canada										
Federal Public Sector Youth Internship Program	45	45	15	30	15	15				

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subsequently
Indian Affairs and Northern Development—										
Agreements—										
Canada First Nations Funding	2,026	2,026	1,523	503	327	93	83			
Comprehensive Funding Agreement	458	458	152	306	277	29				
Comprehensive Land Claims	3,132	3,125	1,081	2,044	367	370	359	258	248	442
Contribution Agreements	471	429	300	129	68	17	16	10	3	15
DIAND/First Nations Funding	1,448	1,448	989	459	251	117	91			
Financial Transfer	1,691	1,691	1,053	638	200	82	80	67	69	140
Indian and Inuit Affairs Program	383	383	258	125	60	33	32			
Industry—										
Department—										
Bell Helicopter Textron Canada Ltd										
Modular affordable product line	115	115	57	58			8	9	6	35
Bombardier Aerospace										
Research and development for the CSeries	350	350	77	273	67	70	67	47	22	
Bristol Aerospace Limited										
Research and development for manufacturing F-35 JS	43	43	4	39	11	12	8	8		
CAE Inc										
Simulation technologies	439	439	221	218	43	50	59	66		
Canadian Institute for Advanced Research	25	25	15	10	5	5				
Cascade Data Services Inc										
Transmission of large packages of data files	77	77	48	29	1	1	11	6	3	7
CMC Electronic Inc										
Integrated cockpit and communication system	52	52	22	30	11	11	8			
Corporation of the city of Brantford										
Brownsfield redevelopment project	12	12	1	11	10	1				
Ford Motor Company of Canada Ltd										
Flexible manufacturing production process	80	80	23	57	19	16	22			
Funding agreement for colleges and universities—										
Government of Alberta	195	195	98	97	97					
Government of British Columbia	233	233	116	117	117					
Government of Manitoba	71	71	35	36	36					
Government of New Brunswick	49	49	24	25	25					
Government of Newfoundland and Labrador	24	24	12	12	12					
Government of Nova Scotia	56	56	28	28	28					
Government of Ontario	780	780	390	390	390					
Government of Saskatchewan	57	57	28	29	29					
Ministry of Economic Development, Innovation and Export Trade	458	458	229	229	229					
Heroux Devtek Inc										
New landing gear	27	27	13	14	9	5				
Juvenile Diabetes Research Foundation Canada	20	20	5	15	15					
Linemar Corporation										
Development and commercialization of green technologies	55	55	2	53	18	18	17			
Ministry of Health Promotion										
Upgrading and renewal of recreational facilities	189	189	30	159	159					
Pratt & Whitney Canada Corporation										
Gas turbine engine research program	350	350	299	51	36	15				

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subse-quently
University of Waterloo										
Application of quantum mechanical technology	50	50	16	34	17	5	6	6		
Canadian Space Agency—										
European Space Agency, Paris, France										
Earth Observation, Exploration and Telecommunications Programs	232	232	92	140	33	30	24	17	12	24
National Research Council of Canada—										
Canada-France-Hawaii Telescope Corporation										
Partnership to operate a jointly owned optical telescope	115	115	97	18	3	3	4	4	4	
Gemini Twin Telescope Project										
Collaboration to build and operate 8-meter telescopes	103	103	89	14	5	6	3			
Triumf										
Joint venture by a consortium of universities to manage the TRIUMF Facility in British Columbia	19	19		19	19					
Justice—										
Care and services provided to young persons dealt with under the *Young Offenders Act*										
Government of Alberta	85	85	68	17	17					
Government of British Columbia	111	111	89	22	22					
Government of Ontario	319	319	255	64	64					
Government of Quebec	183	183	147	36	36					
Other provinces	189	189	151	38	38					
Criminal Legal Aid Services and Systems										
Government of Alberta	43	43	32	11	11					
Government of British Columbia	59	59	44	15	15					
Government of Ontario	204	204	154	50	50					
Government of Quebec	110	110	83	27	27					
Other provinces	70	70	53	17	17					
Ontario Ministry of Attorney General										
Provide a procedure for the prosecution of contraventions in the criminal code	14	14	3	11	3	3	3	2		
Other Programs provided to young persons dealt with under the *Young Offenders Act*										
Intensive Rehabitative Custody Supervision	53	53	20	33	11	11	11			
Natural Resources—										
4480121 Canada Inc.	15	15		15	2	2	1	1	1	8
Abitibi-Consolidated Company of Canada	24	24	1	23	2	2	2	3	3	11
Amaizeingly Green LP	29	29	9	20	5	5	4	3	3	
Ashlu Creek Investments Limited Partnership	26	26	1	25	2	2	3	3	3	12
ARC Resources Ltd										
Heartland Area Redwater Project	12	12	1	11	3	8				
Bear Mountain Wind Limited Partnership	21	21	1	20	2	2	2	2	2	10
Biox Canada Limited	71	71	26	45	13	12	9	6	5	
Brilliant Expansion Power Corporation	47	47	9	38	5	5	5	5	4	14
Brookfield Power Wind Prince LP	53	53	13	40	5	5	5	6	6	13
Canadian Hydro Developers Inc (1 of 2)	19	19	7	12	2	2	2	2	2	2
Canadian Hydro Developers Inc (2 of 2)	35	35	4	31	4	4	4	3	3	13
Canadian Renewable Energy Corporation	60	60	4	56	6	6	6	6	6	26

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subse- quently
Caribou Wind Park Limited Partnership	29	29	1	28	3	3	3	3	3	13
Cartier Énergie Éolienne Inc (1 of 3)	31	31	7	24	3	3	3	3	3	9
Cartier Énergie Éolienne Inc (2 of 3)	31	31	9	22	3	3	3	3	3	7
Cartier Énergie Éolienne Inc (3 of 3)	34	34	5	29	3	3	3	4	4	12
Castle Rock Ridge Limited Partnership	31	31		31	1	3	3	3	3	18
Dokie General Partnership	33	33		33	1	4	3	3	3	19
Domtar Pulp and Paper Products										
To fund capital improvements at the mill										
Agreement 1 of 2	22	22		22	8	14				
Agreement 2 of 2	58	58	10	48	46	2				
Enbridge Ontario Wind Power LP	48	48	5	43	5	5	5	5	5	18
Énergie Éolienne du Mont Copper Inc	17	17	6	11	1	2	2	2	2	2
Énergie Éolienne du Mont Miller Société en commandite	20	20	8	12	2	2	2	2	2	2
Enhance Energy Inc										
Carbone Capture and Storage Project	33	33	8	25	13	12				
Implementation of the Alberta Carbon Trunk Line	30	30		30	11	17	2			
ENMAX Green Power Inc	24	24	6	18	2	3	2	2	3	6
Erie Shores Wind Farm LP	25	25	9	16	3	3	3	2	2	3
Fundy Ocean Research Centre for Energy										
Demonstration of Tidal Instream Energy Convertors in Minas Passage	20	20	4	16	11	5				
Godfield Wind Limited Partnership	15	15		15	1	1	1	2	2	8
Government of Saskatchewan										
Gunnar and Lorado agreement	12	12	1	11	2	5	1	1		2
Greenfield Ethanol Inc—Chatham	69	69	23	46	12	10	9	8	7	
Greenfield Ethanol of Quebec	80	80	29	51	13	12	10	9	7	
Greenfield Johnstown Limited	103	103	26	77	19	17	15	12	10	4
Greengate Power Corporation	46	46		46	1	5	5	5	4	26
GW Power Corporation	25	25	9	16	3	3	2	2	2	4
Harrison Hydro Limited Partnership (1 of 2)	35	35	2	33	3	3	3	4	4	16
Harrison Hydro Limited Partnership (2 of 2)	25	25		25	2	2	2	3	3	13
Husky Oil Limited—Lloydminster	67	67	21	46	12	10	9	8	7	
Husky Oil Limited—Minnedosa	72	72	26	46	12	10	9	8	7	
IGPC Ethanol Inc	83	83	23	60	15	13	11	10	8	3
J D Irving Limited, Lake Utopia	22	22	6	16	5	11				
Kettles Hill Wind Energy Inc	17	17	4	13	2	2	2	2	2	3
Kruger Energy Chatham LP	31	31		31	1	3	3	3	3	18
Kruger Energy Port Alma LP	31	31	4	27	3	3	3	3	3	12
Lameque Wind Power LP	15	15		15	1	1	1	1	2	9
Magpie Limited Partnership	18	18	4	14	1	2	2	2	2	5
Maple Leaf Foods Inc	42	42	17	25	7	6	5	4	3	
North West Terminal Ltd	11	11	1	10	2	2	2	2	1	1
Permolex Ltd	22	22	7	15	4	3	3	3	2	
QFI Biodiesel	32	32		32	7	7	6	4	4	4
Raleigh Wind Power Partnership	24	24		24	2	3	2	2	2	13
RMSEnergy Dalhousie Mountain LP	16	16		16	2	2	2	2	1	7
Saint-Ulric Saint-Léandre Wind LP	37	37	1	36	4	4	4	4	3	17
Saskatchewan Power International Inc	54	54	22	32	5	5	5	5	6	6
Shear Wind Inc	18	18		18	1	2	2	2	1	10
Shell Canada Limited	36	36	24	12	12					
Speedway Inc	16	16		16	4	4	3	2	2	1
St Leon Wind Energy LP	30	30	12	18	3	3	3	3	3	3
St Joseph WindFarm Inc	43	43		43	2	4	4	4	4	25
Suncor Energy Products Inc (1 of 2)	22	22	5	17	2	2	2	2	3	6

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Suncor Energy Products Inc (2 of 2)	107	107	38	69	17	16	14	12	10	
Talbot Windfarm LP	30	30		30	1	3	3	3	3	17
Terra Grain Fuels Inc	66	66	13	53	14	12	10	9	8	
Toba Montrose General Partnership	73	73		73	6	7	7	7	7	39
TransAlta Corporation (1 of 5)	29	29	3	26	3	3	3	3	3	11
TransAlta Corporation (2 of 5)	20	20	1	19	2	2	2	2	2	9
TransAlta Corporation (3 of 5)	18	18		18	2	2	2	2	2	8
TransAlta Corporation (4 of 5)	21	21		21	1	2	2	2	2	12
TransAlta Corporation (5 of 5)	14	14		14	1	2	1	1	1	8
TransAlta Energy Corporation (1 of 2)	34	34	19	15	3	3	4	5		
TransAlta Energy Corporation (2 of 2)	25	25	12	13	2	2	2	3	3	1
West Cape Wind Energy Inc	24	24	2	22	2	2	2	3	3	10
Western Biodiesel Inc	17	17	3	14	4	3	3	2	2	
Weyerhaeuser Canada Ltd	32	32	4	28	28					
Zellstoff Celgar Ltd Partnership	40	40	27	13	13					
Transport—										
Department—										
Blue Water Bridge Canada										
Gateways and Border Crossing Fund	13	13	1	12	12					
Buffalo and Fort Erie Public Bridge Authority										
Gateways and Border Crossing Fund	62	62	23	39	32	7				
BC Ferries										
Grant for the provision of ferry and coastal freight and passenger services	454	454	290	164	27	27	27	27	28	28
City of Calgary										
Gateways and Border Crossing Fund	35	35	5	30	17	11	2			
City of Regina										
Gateways and Border Crossing Fund	27	27	1	26	12	14				
City of Saskatoon										
Gateways and Border Crossing Fund	106	106		106	45	33	14			14
Ferry Services Contribution Program	147	147	128	19	19					
Government of British Columbia										
Asia-Pacific Gateway and Corridor Initiative	490	490	170	320	113	116	91			
Government of Manitoba										
Asia-Pacific Gateway and Corridor Initiative	33	33		33		17	8	8		
Gateways and Border Crossing Fund	64	64	3	61	14	26	17	4		
Government of Quebec										
Outaouais Road Agreement	156	156	87	69	21	22	17	3	3	3
Halifax Port Authority										
Gateways and Border Crossing Fund	54	54	1	53	15	9	24	5		
Hudson Bay Railway Company										
Gateways and Border Crossing Fund	20	20	8	12	4	4	4			

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subsequently
Port Metro Vancouver										
Asia-Pacific Gateway and Corridor Initiative	60	60		60	8	14	22	16		
St Mary's River Bridge Company										
Gateways and Border Crossing Fund	44	44		44	16	20	7	1		
Office of Infrastructure of Canada—										
Association of Municipalities of Ontario, city of Toronto, local services boards and local roads boards and the Government of Ontario										
Gas Tax Fund	4,853	4,853	1,865	2,988	747	747	747	747		
Calgary Olympic Development Association										
Contributions to fund the Centre of Sport Excellence in Calgary	40	40	19	21	17	4				
Canada Place Corporation										
Infrastructure Stimulus Fund projects	21	21	4	17	17					
City of Brampton										
Contribution to support the implementation of the Brampton Acceleride Bus Rapid Transit (BRT) project	53	53	7	46	21	14	11			
City of Brockville										
Contribution to upgrade the wastewater system	23	23	1	22	16	6				
City of Calgary										
Infrastructure Stimulus Fund projects	39	39	1	38	38					
City of Edmonton										
Infrastructure Stimulus Fund projects	25	25	3	22	22					
City of Hamilton										
Wastewater treatment and collection system improvement	35	35	1	34	29	5				
City of Mississauga and Greater Toronto Transit Authority										
Contribution for the implementation of an east-west bus rapid transit corridor	83	83	4	79	27	35	17			
City of Niagara Falls										
Contribution to fund the planning and construction of the Niagara Convention Civic Centre	35	35	19	16	16					
City of Saint John, New Brunswick										
Contribution to support the Wastewater Treatment Facility upgrade	27	27	7	20	16	4				
City of Toronto										
Infrastructure Stimulus Fund projects	198	198	14	184	184					
Revitalization of Union Station	133	133		133	34	39	25	22	11	2
City of Toronto and the Municipality of York										
Contribution for the implementation of an extension to the Toronto subway system	622	622	40	582	76	186	170	81	59	10

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subsequently
City of Toronto and the Toronto Transit Commission										
Contribution towards the modernization and expansion of bus, streetcar and subway services	304	304	249	55	41	14				
City of Vancouver										
Infrastructure Stimulus Fund projects	41	41	1	40	40					
City of Winnipeg										
Improvement of wastewater treatment facilities	42	42	11	31	31					
Evergreen										
Contributions to redevelop the Don Valley Brick Works	20	20	9	11	11					
G8 Summit										
Contribution to support projects related to the hosting of the 2010 G8 Summit	10	10		10	10					
Government of Alberta										
Building Canada Fund—Communities Component	88	88	8	80	28	26	26			
Building Canada Fund—Communities Component top up	47	47	3	44	44					
Contribution for Anthony Henday Drive	45	45	17	28	21	7				
Contribution to fund Calgary Transit Projects	51	51		51	18	14	9	6	4	
Gas Tax Fund	1,275	1,275	382	893	295	200	199	199		
Infrastructure Stimulus Fund projects	350	350	41	309	309					
Municipal Rural Infrastructure Fund	107	107	78	29	29					
Provincial-Territorial Infrastructure Base Funding Program	175	175	75	100	90	10				
Government of British Columbia										
Building Canada Fund—Communities Component	136	136	2	134	43	35	41	15		
Building Canada Fund—Communities Component top up	65	65	1	64	64					
Infrastructure Stimulus Fund projects	408	408	36	372	372					
Ministry of Transportation Provincial-Territorial Infrastructure Base Funding Program	175	175	131	44	35	3	3	3		
Municipal Rural Infrastructure Fund	75	75	31	44	23	21				
Government of Manitoba										
Building Canada Fund—Communities Component	41	41	3	38	28	10				
Building Canada Fund—Communities Component top up	18	18	2	16	16					
Gas Tax Fund	432	432	168	264	66	66	66	66		
Infrastructure Stimulus Fund projects	143	143	42	101	101					
Municipal Rural Infrastructure Fund	49	49	33	16	16					
Provincial-Territorial Infrastructure Base Funding Program	175	175	105	70	55	5	10			

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Government of New Brunswick										
Building Canada Fund—Communities Component	33	33	5	28	10	10	8			
Building Canada Fund—Communities Component top up	11	11		11	11					
Gas Tax Fund	295	295	89	206	72	45	45	44		
Infrastructure Stimulus Fund projects	92	92	31	61	61					
Provincial-Territorial Infrastructure Base Funding Program	175	175	50	125	50	25	25	25		
Road infrastructure improvements	114	114	42	72	57	15				
Government of Newfoundland and Labrador										
Building Canada Fund—Communities Component	56	56	2	54	43	9	2			
Contribution towards highway improvement—Major Infrastructure Component	45	45	10	35	23	12				
Gas Tax Fund	207	207	82	125	31	31	31	32		
Infrastructure Stimulus Fund projects	59	59	20	39	39					
Municipal Rural Infrastructure Fund	33	33	18	15	15					
Provincial-Territorial Infrastructure Base Funding Program	175	175	75	100	25	25	25	25		
Government of Nova Scotia										
Building Canada Fund—Communities Component	37	37	2	35	20	5	5	5		
Building Canada Fund—Communities Component top up	13	13	1	12	12					
Contribution for the construction of a four lane highway 104	25	25	4	21	14	7				
Contribution for the twinning of sections of highways 104 and 125	15	15	4	11	11					
Gas Tax Fund	369	369	145	224	56	56	56	56		
Infrastructure Stimulus Fund projects	99	99	33	66	66					
Municipal Rural Infrastructure Fund	44	44	33	11	11					
Provincial-Territorial Infrastructure Base Funding Program	175	175	92	83	25	20	23	15		
Government of Nunavut										
Gas Tax Fund	98	98	38	60	15	15	15	15		
Municipal Rural Infrastructure Fund	19	19	7	12	12					
Provincial-Territorial Infrastructure Base Funding Program	183	183	78	105	26	26	26	27		
Government of Ontario										
Building Canada Fund—Communities Component	362	362	57	305	123	85	70	27		
Building Canada Fund—Communities Component top up	196	196	18	178	178					
Contribution for the reconstruction and widening of highways 8 and 69	66	66	15	51	24	19	8			
Contribution for Union Station	133	133		133	16	33	40	32	12	
Infrastructure Stimulus Fund projects	1,173	1,173	186	987	987					
Municipal Rural Infrastructure Fund	362	362	264	98	98					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Road infrastructure improvements leading to border crossings in Sarnia and Queenston	163	163	138	25	24		1			
Road infrastructure improvements leading to border crossings in Windsor	139	139	91	48	36	12				
Government of Prince Edward Island										
Building Canada Fund—Communities Component	22	22	6	16	5	4	4	3		
Gas Tax Fund	98	98	38	60	15	15	15	15		
Provincial-Territorial Infrastructure Base Funding Program	175	175	92	83	42	41				
Government of Quebec										
Border Infrastructure Fund	72	72	19	53	41	11	1			
Building Canada Fund—Communities Component	410	410	2	408	48	80	95	70	55	60
Building Canada Fund—Communities Component top up	116	116		116	116					
Contribution to complete highways 50, 185 and 35	222	222	150	72	52	20				
Contribution for improvements to wastewater treatment facilities serving the city of Laval	47	47		47	24	15	8			
Contribution to fund the development of the Quartier des spectacles in Montreal	40	40	13	27	17	7	3			
Gas Tax Fund	3,005	3,005	1,151	1,854	464	464	463	463		
Improve rail infrastructure for ten railway short lines	30	30	11	19	6	3	10			
Infrastructure Stimulus Fund projects										
Agreement 1 of 2	450	450	5	445	445					
Agreement 2 of 2	350	350	1	349	349					
Municipal Rural Infrastructure Fund	235	235	92	143	143					
Provincial-Territorial Infrastructure Base Funding Program	175	175	100	75	75					
Upgrade and standardize the Charles J. Des Baillets and Atwater drinking water treatment plants	59	59	11	48	33	12	3			
Government of Saskatchewan										
Building Canada Fund—Communities Component	98	98	14	84	26	29	15	14		
Building Canada Fund—Communities Component top up	15	15	1	14	14					
Contributions for highway projects	95	95	8	87	31	38	18			
Gas Tax Fund	372	372	148	224	56	56	56	56		
Infrastructure Stimulus Fund projects	16	116	31	85	85					
Provincial-Territorial Infrastructure Base Funding Program	175	175	75	100	40	45	5	10		
Government of the Northwest Territories										
Gas Tax Fund	98	98	38	60	15	15	15	15		
Provincial-Territorial Infrastructure Base Funding Program	186	186	113	73	37	21	11	4		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subsequently
Government of the Yukon Territory										
Gas Tax Fund	98	98	30	68	23	15	15	15		
Provincial-Territorial Infrastructure Base Funding Program	183	183	77	106	26	26	27	27		
Greater Toronto Transit Authority										
Improve the GO Transit Rail and bus transit system in the Greater Toronto Area	385	385	250	135	105	30				
Manitoba Floodway Expansion Authority Inc	333	333	275	58	58					
Mont Tremblant Resorts and Company Limited Partnership										
Development of two new four-season resort villages	48	48	18	30	3	1	6	20		
Montreal Port Authority										
Infrastructure Stimulus Fund projects	15	15		15	15					
Ryerson University										
Infrastructure Stimulus Fund projects	20	20		20	20					
Sept-Iles Port Authority										
Infrastructure Stimulus Fund projects	32	32	4	28	28					
The Calgary Science Centre and the Creative Kids Museum Society	40	40	4	36	24	12				
The Corporation of the City of London										
Contribution for capital project of nine components to ensure sustainable regional water supply system	50	50	3	47	28	10	9			
Union of British Columbia Municipalities and the Government of British Columbia										
Gas Tax Fund	1,638	1,638	635	1,003	251	251	251	250		
Vancouver Fraser Port Authority										
Infrastructure Stimulus Fund projects	21	21	3	18	18					
Windsor Port Authority										
Infrastructure Stimulus Fund projects	10	10		10	10					
Yukon Energy Corporation										
Contribution to support sustainable energy generation and transmission, along with municipal wastewater and solid waste management infrastructure	71	71	7	64	40	24				
Transfer payments under $10,000,000 (14 projects)	537	537	476	61	54	7				
Western Economic Diversification—										
Alberta Infrastructure and Transportation										
Royal Alberta Museum	30	30	4	26	6	16	4			
Northern Development Initiative Trust										
Funding to foster economic development activities in Canadian communities	30	30	17	13	13					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
University of Saskatchewan										
Funding for the containment installation facility	49	49	39	10	10					
Subtotal	*62,079*	*62,072*	*25,979*	*36,093*	*15,725*	*7,142*	*5,915*	*4,499*	*1,342*	*1,470*
Consolidated Crown Corporations and Other Entities—										
Canada Mortgage and Housing Corporation (Minister's account)—										
Social Housing Program	62,494(1)	62,494	38,559	23,935(2)	1,744	1,690	1,663	1,653	1,642	15,543
International Development Research Centre—										
Project Grant	445	445		445	445					
National Capital Commission—										
City of Gatineau	16	16	6	10	10					
Telefilm Canada—										
Financial assistance to producers and distributors	31	31		31	31					
Subtotal	*62,986*	*62,986*	*38,565*	*24,421*	*2,230*	*1,690*	*1,663*	*1,653*	*1,642*	*15,543*
Total transfer payment agreements	**125,065**	**125,058**	**64,544**	**60,514**	**17,955**	**8,832**	**7,578**	**6,152**	**2,984**	**17,013**
Fixed assets and purchases—										
Fixed assets—										
Environment—										
Parks Canada Agency—										
Accelerated Infrastructure Program	141	103	67	36	36					
Banff National Park										
Trans Canada Highway twinning—Economic Action Plan	130	39	16	23	23					
Trans Canada Highway twinning—Gateway and Borders Crossing Fund	100	52	31	21	21					
Gulf Islands National Park										
Land acquisition, developments and operations	31	31	21	10	2	2	2	2	1	1
National Defence—										
Boeing, Ridley Park										
15 medium to heavy lift helicopters	1,352	1,352	275	1,077		287	314	327	86	63
BAE Systems Projects Canada Limited										
Victoria Class in service support	494	494	467	27	27					
BMT Fleet Technology Limited										
ELMS Services to Ship Design	55	16	1	15	5	5	5			
CAE Inc										
Aircrew Operational Training services	248	248	60	188	88	73	18	9		
Com Dev Ltd, Cambridge, Ont										
Search and rescue repeaters	15	15	2	13	2	11				
DEW Engineering and Development ULC										
Special equipment vehicle	142	142	4	138	23	60	54	1		
DRS Technologies Canada, Kanata, Ont										
Advanced Electro-Optic Sensor	178	178	153	25	9	8	8			
Shincom Overhaul	59	58	21	37	23	10	4			
General Dynamics Canada										
CP140 Aurora Data Management System	374	370	322	48	39	6	3			

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subse-quently
Land Command Support System engineering and integration longterm support	325	325	63	262	65	65	65	67		
Wheeled Light Armoured Vehicle Optimized Weapon Systems Support	424	424	175	249	71	69	66	43		
Gilcron Corporation										
Precision approach radars	26	26		26	5	16	5			
Irving Shipbuilding Inc										
Refit of HMCS Preserver	58	58		58	58					
Refit of HMCS Iroquois	30	26	10	16	16					
Krauss Maffei Wegmann										
A4 Ops - Leopard 2 A4 Ops	88	88		88	80	8				
Battle damage repair of Leopard 2 A6M	50	50		50	5	15	15	15		
Replacement in Kind—Leopard 2 conversion	35	35	9	26	1	20		5		
Lockheed Martin Canada										
Combat Systems Integration	345	77	14	63	8	5	5	5	5	35
Lockheed Martin Corporation, USA										
Aurora Structural Life Extension Project	280	175	33	142	59	49	34			
Purchase of 17 C130J Aircrafts	2,315	2,315	978	1,337	560	309	133	120	109	106
MacDonald Dettwiler and Associates Ltd Richmond, BC										
CP140 Aurora Aircraft imaging radar acquisition	280	242	210	32	30	2				
Naval Combat Operations Trainer	22	12		12	4	4	4			
Submarine Command Team Trainer	28	15		15	5	4	3	3		
Surveillance of Space Project	66	66	33	33	29	4				
Navistar Defence LLC, Warrenville, IL, USA										
MilCOTS vehicles	275	275	89	186	183	3				
Raytheon Canada Limited										
Repair and conversion of radar equipment	181	181	15	166	27	32	42	16	17	32
Sikorsky International Operations Inc Stratford, CT, USA										
Acquisition of 28 maritime helicopters	1,880	1,869	720	1,149	149	457	298	245		
Thales Systems Canada Inc, Ottawa, Ont										
Land Command Support System Software Longterm support	175	175	39	136	36	35	35	30		
Thales Canada Inc—Optronics Division										
Driver's viewing aid and vision enhancer support	14	14	1	13	6	7				
The Boeing Company, St-Louis, USA										
Harpoon Weapon System Upgrade	26	26	3	23	6	11	4	2		
Wartsila Canada Inc										
Diesel engines	25	25		25	5	5	5	5	5	
Weir Canada Inc										
Maritime Systems and Engineering	137	130	10	120	30	30	30	30		
Public Safety and Emergency Preparedness Department—										
Cree Regional Authority										
Police Service Agreement	37	37	14	23	7	8	8			
Nishnawbe-Aski Police Service Board										
Police Service Agreement	48	48	12	36	12	12	12			

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Royal Canadian Mounted Police—										
RCMP Fleet Vehicles	71	71	46	25	25					
Public Works and Government Services—										
180 Wellington Building renovation	425	78	15	63	15	43	4	1		
North Country Maintenance Inc										
North Alaska Highway maintenance and repair	22	22	5	17	5	6	5	1		
Rehabilitation and repairs to the Alexandra Bridge	52	40	21	19	19					
West Block renovation, 111 Wellington Street	769	211	164	47	25	9	3	3	3	4
Subtotal	*11,828*	*10,234*	*4,119*	*6,115*	*1,844*	*1,690*	*1,184*	*930*	*226*	*241*
Consolidated Crown Corporations and Other Entities—										
Canadian Museum for Human Rights—										
PCL Constructors Canada Inc	213	146	46	100	27	73				
The Federal Bridge Corporation Limited—										
Major works and maintenance	66	66		66	60	4	1		1	
VIA Rail Canada Inc.—										
Avalon Rail Inc	26	18	1	17	10	7				
CAD Railway Services Inc	131	102	32	70	25	29	16			
Canadian National Railways	312	312	78	234	144	90				
Industrial Rail Services (1 of 2)	117	99	3	96	39	19	21	17		
Industrial Rail Services (2 of 2)	16	11		11	5	5	1			
Subtotal	*881*	*754*	*160*	*594*	*310*	*227*	*39*	*17*	*1*	
Total fixed assets	12,709	10,988	4,279	6,709	2,154	1,917	1,223	947	227	241
Purchases—										
Canada Revenue Agency—										
CGI Group Inc										
IT Professional Services Supply Chain	385	327	265	62	62					
IBM Canada Limited										
IBM Mainframe—										
Software license and support services	73	73	62	11	11					
IT Professional Services	48	40	26	14	9	3	2			
Fisheries and Oceans—										
Provincial Airlines Ltd										
Air Surveillance Program	75	63		63	13	13	13	12	12	
Foreign Affairs and International Trade—										
Canadian Bank Note Company Limited										
Purchase of passport materials	43	43	22	21	15	6				
Health—										
Express Scripts Inc	100	100	15	85	18	18	18	19	12	
Human Resources and Skills Development—										
Microsoft Licensing GP										
Software purchase and maintenance	37	37	21	16	7	9				
Resolve Corporation										
Private institutions that are party to an agreement with the Minister under the *Canada Student Financial Assistance Act*	349	277	148	129	61	58	10			
Rogers Cable Communications Inc										
Telecommunication equipment and services	111	111	97	14	14					

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
St Joseph Print Group										
Forms management service	18	18	2	16	16					
Industry—										
Canadian Space Agency—										
MacDonald, Dettwiler and Associates Ltd										
Scientific activities for the construction of the Radarsat Constellation	53	53	42	11	11					
MacDonald Dettwiler Space and Advanced Robotics Ltd										
Canadian Space Station Program	128	128	68	60	26	26	8			
Next Generation Canadarm	50	50	6	44	28	16				
National Research Council of Canada—										
EBSCO Canada Limited										
Subscription, acquisition, delivery and management services for serial productions	39	39	29	10	10					
National Defence—										
Allied Wings										
Pilot Training, Manitoba	1,840	1,763	295	1,468	75	76	75	74	75	1,093
BAE Bofors System, Sweden										
57mm gun	95	75	34	41	14	6	6	6	6	3
Biogenic SRDC Inc, SNC Lavalin Inc, Kitnuna Projects Inc, Quantum Murray and Gruben's Transport Ltd										
DEW Line Cleanup	583	162	111	51	29	20	2			
Bombardier Inc										
Jet Flying Pilot Training	2,583	1,747	904	843	81	77	79	80	82	444
CAE Inc, Saint-Laurent, Que										
Aircrew Operational Training services	353	353		353		1	7	8	10	327
Calian, Ottawa, Ont										
Manage health care providers to the Canadian Forces	588	448	290	158	59	59	40			
Canadian Base Operators										
Logistics support and facilities maintenance services	168	168	48	120	13	13	12	12	12	58
Canadian Submarine Management Group										
Victoria Class in service support	1,792	352	52	300	75	75	75	75		
Cascade Aerospace Inc, Abbotsford, BC										
Repair and overhaul of Hercules Aircraft	423	231	221	10	10					
Corporation du Fort St-Jean										
Support to St-Jean campus, St-Jean-sur-Richelieu, Que	107	107	22	85	20	21	21	23		
Fleetway Inc, Halifax, NS										
In service support for Halifax and Iroquois Class vessels	187	45	34	11	11					
Halifax Shipyard, NS										
Halifax Class modernization	440	319	40	279	47	50	50	50	60	22
IBM Canada Ltd										
Material acquisition and support information system	306	285	250	35	15	20				
Software maintenance and support	42	42	29	13	13					
IMP Group Ltd, NS										
In service support for Helicopters	818	818	379	439	84	84	85	93	93	
Optimized Weapon System Support	493	493	192	301	54	71	71	70	35	
Third line support for Sea King Helicopter	305	305	235	70	70					

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Industrial Rubber										
Leopard 2 A4 Tanks stripping, repair, overhaul and upgrade	25	25	1	24	24					
L-3 Communications Electronic Systems, Enfield, NS										
CP140 Aurora Aircraft Avionics Optimized Weapon System Support	395	395	81	314	23	26	28	31	34	172
L-3 Communications Canada, Que										
Aircraft System Engineering Support	1,118	1,118	626	492	102	88	82	80	78	62
Integrated Platform Management System	85	69	15	54	25	6	8	5	4	6
Lockheed Martin Canada Inc, Kanata, Ont										
Combat System integration	1,318	1,318	267	1,051	176	202	152	140	121	260
MacDonald Dettwiler Associates Ltd, Richmond, BC										
Victoria Class Trainer	25	14	1	13	4	3	3	3		
Nasittuq Corporation, Ottawa, Ont										
North Warning System operation and maintenance	599	599	475	124	124					
NATO Maintenance and Supply Agency										
Support of Canadian Forces operations in Afghanistan	205	205	106	99	42	57				
Orenda Aerospace Corporation Mississauga, Ont										
CF18 Hornet Aircraft, engine repair and overhaul	13	13	2	11	11					
Raytheon Canada Ltd, Calgary, Alta										
SP49 Radar	24	24	9	15	5	5	5			
Rheinmetall Waffe Munition GMBH Germany										
Halifax Class modernization	23	23	3	20	6	6	3	1	4	
SAAB Microwave Canada Ltd, Halifax, NS										
Seagiraffe Radar	43	43	12	31	12	10	5	4		
Santé Montfort, National Capital Region, Ont										
Provision of health care facility for Canadian Forces	185	185	17	168	5	5	5	5	5	143
SERCO Facilities Management Inc										
Provision of site services at 5 Wing, Goose Bay	549	549	378	171	33	33	34	35	35	1
Sikorsky International Operations Inc Stratford, CT, USA										
Maritime helicopters in service support	3,290	3,290	493	2,797	128	193	178	192	103	2,003
Skylink, Chapman Freeborn, First Air										
Air charter in support of Operation Athena	56	56	25	31	31					
Skylink PAE Aviation Inc										
Chartered helicopter contract in Afghanistan	70	70	48	22	22					
SNC Lavalin Defence Programs Inc										
In service support for Auxiliary Vessel and Minor Warship	290	265	183	82	82					
SNC Lavalin PAE										
Support of Canadian Forces operations in Afghanistan	500	456	375	81	55	26				

TABLE 11.3
TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subse-quently
Strachan and Henshaw Canada Inc Ottawa, Ont										
Weapon Handling and Discharge System, Submerged Signal Ejector	99	78	59	19	19					
Telesat Canada										
North Warning System	30	30	3	27	3	3	3	3	3	12
Telus Communications Inc, Vancouver, BC										
Global Defence Network Services	134	67	37	30	15	15				
Thales Canada Inc										
Fire Control Radars	67	61	16	45	8	10	11	8	8	
Periscope and AXP masts	44	34	13	21	15	6				
Victoria Shipbuilding Limited, BC										
Halifax Class modernization	320	301	32	269	20	45	51	51	51	51
Privy Council—										
Chief Electoral Officer—										
IBM Canada Ltd, Ottawa, Ont										
Facilities management support services	31	31	6	25	15	10				
Supply of fully integrated and functional systems and related services for federal electoral events	24	24	9	15	10	5				
Public Safety and Emergency Preparedness—										
Correctional Service—										
Logistik Unicorp Inc										
Uniforms	18	18		18	8	8	2			
Société Emmanuel Grégoire Inc										
Emmanuel Grégoire residence	13	13		13	3	3	3	2	2	
Royal Canadian Mounted Police—										
Aramark										
Accomodations for G8/G20 police staff	54	54	9	45	45					
Bell Canada										
Wide area network services	112	112	92	20	16	4				
CGI Group Inc										
Systems maintenance and support of CFIS	137	137	110	27	27					
Fujitsu Consulting										
Design, development and testing of the Real Time Identification Project Phase 2 application	30	23	11	12	12					
MTS Allstream Inc										
Rental of voice communications equipment	41	41	4	37	5	6	6	6	6	8
Public Works and Government Services—										
200 Kent Street Limited										
Centennial Towers, Ottawa, Ont	45	45	27	18	5	5	5	3		
4345177 Canada Inc										
Fontaine Building, 200 Sacre-Coeur Boulevard, Gatineau, Que	44	44	5	39	2	2	3	3	3	26
519719 Ontario Inc										
1600 Star Top Road, Ottawa, Ont	78	78	29	49	5	5	5	5	5	24
A N (Mega Centres) Inc										
550 De la Cite Blvd, Gatineau, Que	48	48	19	29	3	3	3	3	4	13
BCIMC Realty Corporation										
105 Hotel de Ville street, Gatineau, Que	28	28	7	21	2	3	3	3	3	7
Bell Canada										
Cable Plan Services	90	19	8	11	11					
Secure Channel services	388	341	195	146	43	40	43	20		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subsequently
Canada Post Corporation										
Canada Post Place, Ottawa, Ont	62	62	17	45	3	4	4	4	5	25
CGI Information Systems and Management Consultants Inc										
Engineering services	162	145	65	80	20	17	17	17	9	
City of Vancouver										
Library Square Block 56, Vancouver, BC	19	19	5	14	2	2	2	2	2	4
Computershare Trust Company of Canada										
305 Boulevard René-Levesque West, Montréal, Que.	126	126	6	120	4	4	4	4	5	99
4225 Boulevard Dorchester West, Westmount, Que	104	104	5	99	3	3	4	4	4	81
Canada Place, Edmonton, Alta	311	311	13	298	10	10	11	11	11	245
Harry Hays Building, Edmonton, Alta	199	199	11	188	7	7	7	7	7	153
Joseph Sheppard Building, Toronto, Ont	280	280	19	261	9	10	10	10	10	212
Skyline Complex, Ottawa, Ont	252	252	12	240	8	9	9	9	9	196
Thomas D'Arcy McGee Building, Ottawa, Ont.	284	284	6	278	9	10	10	10	10	229
EllisDon Corporation										
Canadian Security Intelligence Service national headquarters building addition, Ottawa, Ont.	71	71	43	28	27	1				
First Data/Paymentech Canada Partner Inc., and Dearborn Marchant Services Inc										
Card acceptance services Toronto, Ont	132	132	25	107	15	18	21	26	27	
Fortis Corporation										
Maritime Centre, Halifax, NS	13	13		13	1	1	1	1	1	8
Graham Construction and Engineering Inc										
Infrastructure Program II	12	12		12	12					
Royal Canadian Mounted Police power distribution	13	13	3	10	10					
IBM Canada										
Data Centre Operation	29	25	10	15	15					
Kudlick Construction Ltd.										
CAM-D (Simpson Lake) Remediation Project on behalf of Indian Affairs and Northern Development	19	17	4	13	4	5	4			
Minto Commercial Properties Inc										
Mercury Centre, Ottawa, Ont	362	362	22	340	12	13	13	13	14	275
Minto Developments Inc										
Canada and Enterprise Building, Ottawa, Ont.	40	40	28	12	4	4	4			
MMM Group Limited										
100 Commerce Valley Drive West, Thornhill Ont	19	19	1	18	8	2	8			
Morguard Corporation and 131 Queen Street Limited										
Trusco Building, Ottawa, Ont	150	150	22	128	6	6	7	7	7	95
Morguard Corporation and 3683249 Canada Inc										
181 Queen Street, Ottawa, Ont	68	68	19	49	3	3	3	3	4	33
O&Y REIT Holdings Inc										
Jean Edmonds Tower, Ottawa, Ont.	62	62	31	31	6	6	7	7	5	
Oracle Corporation Canada Inc										
Software maintenance	87	71	60	11	6	5				
Otis Canada Inc										
Elevator maintenance services, Ottawa, Ont.	14	14	3	11	1	1	1	1	1	6

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
PCL Constructors Canada Inc										
Construction Management, NML expansion	14	14	1	13	13					
Heating and cooling plant, Ottawa, Ont	35	35	16	19	19					
Place Montcalm (Phase III partnership)	53	53	20	33	3	4	4	4	4	14
SNC Lavalin ProFac Inc										
Building maintenance services	4,434	4,434	2,178	2,256	958	646	652			
Telesat Canada										
Enterprise Space Segment Capacity Service Satellite	14	14	3	11	2	2	2	2	3	
The Canada Life Assurance Company										
Judicial Complex, Toronto, Ont	102	102	18	84	4	4	5	5	5	61
The Great West Life Assurance Company of Canada and London Life Assurance Company										
269 Laurier Street West, Ottawa, Ont	79	79	21	58	5	5	5	5	6	32
Transport—										
PMG Technologies										
Motor Vehicle Test Centre in Blainville	28	28	18	10	4	4	2			
Treasury Board—										
Sun Life Assurance Company of Canada										
Public Service Health Care Plan	184	184		184	21	24	25	26	29	59
Subtotal	*31,153*	*27,210*	*10,452*	*16,758*	*3,407*	*2,385*	*2,057*	*1,303*	*1,044*	*6,562*
Consolidated Crown Corporations and Other Entities—										
Atomic Energy of Canada Limited—										
Purchase orders	49	49		49	48	1				
Regulatory commitments	30	30		30	30					
Canadian Air Transport Security Authority—										
Aeroguard Company Ltd	101	101	45	56	56					
Aeroguard Eastern Inc	61	61	28	33	33					
Aeroguard Inc	51	51	23	28	28					
Garda, Montreal, Que	72	72	34	38	38					
Garda of Canada	169	169	78	91	91					
Garda of the Pacific	127	127	59	68	68					
L3 Communications	15	15	1	14	14					
Morpho Detection	48	48	33	15	15					
Sécurité Kolossal	21	21	10	11	11					
Shannahan's Investigation and Security Inc	84	84	38	46	46					
Telus Services Inc	14	14	2	12	4	4	3	1		
Purchases under $10,000,000	182	182	107	75	59	9	5	2		
Canadian Broadcasting Corporation—										
Programming rights	95	95	60	35	11	12	12			
Sports rights	647	647	267	380	45	98	101	106	30	
Canadian Commercial Corporation—										
Contracts with foreign customers	2,718	2,718		2,718	1,362	494	536	324		2
National Capital Commission—										
Land management and maintenance	96	96	53	43	14	11	4	3		11
National Gallery of Canada—										
Securitas Security Services	24	21	2	19	3	3	3	3	3	4

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subse-quently
National Museum of Science and Technology—										
Purchases	10	10		10	8	1	1			
Subtotal	*4,614*	*4,611*	*840*	*3,771*	*1,984*	*633*	*665*	*439*	*33*	*17*
Total purchases	35,767	31,821	11,292	20,529	5,391	3,018	2,722	1,742	1,077	6,579
Total fixed assets and purchases	**48,476**	**42,809**	**15,571**	**27,238**	**7,545**	**4,935**	**3,945**	**2,689**	**1,304**	**6,820**
Operating leases—										
Environment—										
Capilano Indian Reserve No. 5 of Vancouver, BC										
Lease of Land	385	385	131	254	8	8	8	8	8	214
Foreign Affairs and International Trade—										
Main Production and Commercial Administration										
Office and parking space, Moscow	195	195	10	185	4	4	4	4	5	164
Tower Plaza Associates, New York	33	33	19	14	1	1	2	2	2	6
Natural Resources—										
First Longwood Innovation GP Corporation										
183 Longwood Drive, Hamilton	150	150		150	6	6	6	6	6	120
Public Works and Government Services—										
1001 Dominion Square Management Inc										
1255 Peel Street, Montréal, Que	15	15	3	12	1	1	1	2	2	5
1258898 Ontario Ltd, Multivesco Inc										
400 Cumberland Street, Ottawa, Ont	56	56	29	27	5	5	5	5	6	1
160 Elgin Portfolio Inc. and 160 Elgin Leasehold Inc										
Bell Canada Place										
160 Elgin Street, Ottawa, Ont	56	56	15	41	5	5	6	6	6	13
25 Nicholas Properties Ltd										
The Albion Building, Ottawa, Ont	19	19	1	18	2	2	2	2	2	8
The Albion Executive Tower, Ottawa, Ont	17	17	1	16	2	2	2	2	2	6
360 Laurier Avenue West Limited										
Narono Building	22	22	5	17	2	2	2	2	2	7
3934381 Canada Inc										
1138 Melville Street, Vancouver BC	109	73		73	2	7	7	7	8	42
434 Queen Street Holdings Inc										
Farm Credit Building	16	16	4	12	1	1	1	2	2	5
444 Seventh Inc										
Barclay Centre, Calgary, Alta	56	56	42	14	4	4	4	2		
BGV III Office Ottawa Inc										
2215 Gladwin Crescent, Ottawa, Ont	26	26	5	21	3	4	4	4	4	2
Bona Building & Management Company Ltd										
Place Vanier, Towers A & B, Ottawa, Ont	94	75	65	10	8	2				
Vanier Building, Ottawa, Ont	44	44	12	32	4	4	4	5	5	10
BPO Ltd, YRC Ltd and Crehoy Inc C/O Brookfield Properties Management Corp										
151 Yonge Street, Toronto, Ont	12	12		12	3	3	2	2	2	
British Columbia Hydro and Power Authority										
333 Dunsmuir Street, Vancouver, BC	15	15	3	12	3	3	3	3		
Brookfield Properties Management PDV 1										
Place de Ville, Towers A and B, Ottawa, Ont	59	59	14	45	12	13	13	7		
Brookfield Properties Management PDV 2										
Place de Ville, Tower C and Podium Ottawa, Ont.	99	99	23	76	21	21	21	13		

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Continued*

(in millions of dollars)

					Outstanding obligations to be disbursed by March 31					
	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	2011	2012	2013	2014	2015	2016 and subsequently
Canada Lands Company CLC Limited										
277 Front Street West, Toronto, Ont.	35	35	19	16	3	3	4	4	2	
Canada Property (Trustee) No. 1 Limited										
Holland Cross Building, Ottawa, Ont.	16	16	6	10	2	2	2	2	1	1
Holland Cross Towers, Ottawa, Ont	16	11	1	10	1	1	1	2	2	3
Cominar Real Estate Investment Trust										
3400 Jean-Beraud Avenue, Laval, Que	41	41	31	10	4	4	2			
Développements Hautes Plaines										
200 De la Technologie Blvd, Gatineau, Que	15	10		10	1	1	1	1	2	4
Dundeal Canada Limited Partnership										
Airport Corporate Centre, Calgary, Alta	18	18	6	12	1	2	2	2	2	3
Exchange Tower Ltd., HRI Exchange Inc and PFS Exchange Inc										
Stock Exchange Tower, Toronto, Ont.	57	57	39	18	8	8	2			
Richelieu Building, Gatineau, Que.	25	15		15	1	3	3	3	3	2
GM Developpement Inc, Ogesco Construction Inc, Pierre Martin and Associates Design and Architecture Inc	162	157		157	3	7	7	8	8	124
GWL Realty Advisors Inc										
2001 University Street, Montréal, Que	18	18	2	16	1	2	2	2	2	7
Robson Court Building, Vancouver, BC	35	35	18	17	4	4	4	4	1	
HREIT Holdings 59 Corporation										
280 Broadway, Winnipeg, Man.	19	19	1	18	2	2	2	2	2	8
Kanata Research Park Corporation										
340 Legget Drive, Ottawa, Ont.	13	13		13	1	1	1	1	2	7
Minto (Kent St.) Inc										
180 Kent Street, Ottawa, Ont (1 of 2)	24	24	1	23	2	2	2	2	3	12
180 Kent Street, Ottawa, Ont (2 of 2)	22	22	2	20	2	2	2	2	2	10
Morguard Investment Limited in Trust for Hoop Realty Inc. and Morguard REIT										
Heritage Place, Ottawa, Ont	44	44	11	33	4	5	5	5	5	9
Standard Life Centre, Ottawa, Ont										
280 Slater Street, Ottawa, Ont	49	49	32	17	5	5	5	2		
333 Laurier Avenue West, Ottawa, Ont	31	31	5	26	3	3	3	3	3	11
Time Square Building, Ottawa, Ont	18	14		14	1	1	1	1	2	8
Omers Realty Corporation, Oxford Properties Group Incorporated and 735832 Alberta Limited										
800 Burrard Street, Vancouver, BC	66	66	45	21	7	6	6	2		
Ottawa—2200 Walkley Road Inc,										
2200 Walkley road, Ottawa Ont	23	14		14		1	1	1	1	10
Pacific Centre Leaseholds Limited										
701 Georgia Street West, Vancouver, BC.	32	32	3	29	2	3	3	3	3	15
Pensionfund Realty Limited										
250 Albert Street, Ottawa, Ont	51	51	8	43	5	5	5	5	5	18
Camelot Court, Ottawa, Ont	20	20	3	17	3	3	3	3	3	2
Place Bonaventure Property Management Inc										
800 De La Gauchetière Street West, Montreal, Que.	17	17	3	14	1	1	2	2	2	6
Telesat Canada and Pensionfund Realty Limited										
Telesat Building, Ottawa, Ont.	19	19	2	17	1	2	2	2	2	8
The Chambers Equities Limited										
The Chambers Building, Ottawa, Ont	13	13	2	11	1	1	1	1	1	6
The Great-West Life Assurance Company										
255 Albert Street, Ottawa, Ont	26	26	15	11	2	2	3	3	1	
The Standard Life Assurance Company of Canada										
Qualicum Towers A and C, Ottawa, Ont	27	27	10	17	2	3	3	3	3	3

TABLE 11.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES AS AT MARCH 31, 2010—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31					
					2011	2012	2013	2014	2015	2016 and subsequently
Urbandale Corporation										
The Urbandale Building, Ottawa, Ont	23	23	4	19	2	2	2	2	3	8
Whiterock 655 Bay Street Toronto Inc										
C/O Paul Simcox in Trust	17	17	6	11	3	3	3	2		
WPBI Property Management Inc.										
Place Bonaventure, Montreal, Que	50	31	21	10	3	3	3	1		
Z.V. Holdings Corporation										
2 Constellation Crescent, Ottawa, Ont	27	27	9	18	3	3	3	3	3	3
Subtotal	*2,547*	*2,435*	*687*	*1,748*	*181*	*194*	*188*	*163*	*131*	*891*
Consolidated Crown Corporations and Other Entities—										
Atomic Energy of Canada Limited—										
Rental of office space	74	74		74	13	13	11	9	7	21
Canada Council for the Arts—										
Office accommodation	19	19		19	5	5	4	3		2
Canadian Air Transport Security Authority—										
Sun Life Assurance Company of Canada	63	63	26	37	7	7	6	4	3	10
Canadian Broadcasting Corporation—										
Bell Canada	62	62	51	11	9	2				
Morguard Investments	147	147	36	111	5	7	7	7	8	77
SAP Canada	14	14	1	13	1	1	1	1	2	7
SNC-Lavalin Profac Inc	456	456	86	370	23	34	35	36	37	205
Telesat Canada										
Transponders	225	225	118	107	13	13	13	13	13	42
Canadian Commercial Corporation—										
Office space	20	20		20	1	2	2	2	2	11
International Development Research Centre—										
Omers Realty Corporation										
Office space and maintenance	104	104	14	90	6	6	6	7	7	58
Marine Atlantic Inc.—										
Baltic SF IX Ltd										
Five-year charter agreement for a passenger and freight ferry	107	107	32	75	21	21	21	12		
National Capital Commission—										
Chambers Building, Ottawa, Ont	196	196	95	101	9	9	9	10	10	54
VIA Rail Canada Inc.—										
Canadian National Railway Company	103	103	58	45	5	5	5	5	5	20
IBM Canada Ltd.										
VIAnet Service Agreement	30	30	15	15	4	4	3	3	1	
SITQ, Montreal	21	21	9	12	3	3	3	3		
Union Station, Toronto	189	189	22	167	3	3	3	3	3	152
Subtotal	*1,830*	*1,830*	*563*	*1,267*	*128*	*135*	*129*	*118*	*98*	*659*
Total operating leases	**4,377**	**4,265**	**1,250**	**3,015**	**309**	**329**	**317**	**281**	**229**	**1,550**
Grand total	**177,918**	**172,132**	**81,365**	**90,767**	**25,809**	**14,096**	**11,840**	**9,122**	**4,517**	**25,383**

(1) The amount shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this obligation were first reported in the *Public Accounts of Canada*, plus the outstanding obligation reported at fiscal year end.

(2) This figure reflects the total estimated remaining contractual obligations which extend for periods up to 30 years.

International Contractual Obligations

Table 11.4 summarizes the international contractual obligations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary transfer payments, loans and advances and contractual obligations.

International contractual obligations reported in this table include transfer payments, loans and advances to international organizations as well as loans for the development of export trade (administered by Export Development Canada), which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 11.4 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 2010.

Table 11.4 presents information that is summarized in Note 15 to the financial statements in Section 2 of this volume.

TABLE 11.4

INTERNATIONAL CONTRACTUAL OBLIGATIONS

(in millions of dollars)[1]

	Transfer payments	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—				
Foreign Affairs and International Trade—				
Development of export trade (loans administered by Export Development Canada)		*539*		*539*
BUDGETARY TRANSFER PAYMENTS, LOANS AND ADVANCES—				
Finance—				
African Development Fund	416			416
International Development Association	1,375	384		1,759
	1,791	*384*		*2,175*
Foreign Affairs and International Trade—				
Canadian International Development Agency—				
African Development Bank		101		101
Asian Development Bank		143		143
Caribbean Development Bank		53		53
Global Environment Facility (GEF) Fund		36		36
International Fund for Agricultural Development		25		25
Montreal Protocol Fund		8		8
Multilateral Investment Fund		9		9
		375		*375*
	1,791	*759*		*2,550*
Total	1,791	1,298		3,089

[1] Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2010 (1$USD = $1.0158 CAD; 1SDR = $1.54223 CAD; 1 EUR = $1.372 CAD).

Note: Canada has agreed to lend the Poverty Reduction and Growth Trust special drawing rights (SDR) 1.2 billion of which SDR 700 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million, of which SDR 190 million has been paid-in.

Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. Contingent liabilities are recorded in the accounts when it becomes likely that a payment will be made and the amount of that payment can be reasonably estimated. The contingent liabilities of the Government are grouped into: Guarantees, International Organizations, Environmental liabilities, Claims and Pending and Threatened Litigation, and Insurance Programs of agent enterprise Crown corporations. Additional information regarding each category is provided below.

For details of contingent liabilities of consolidated Crown corporations, refer to Table 4.3 "Contingent Liabilities of Consolidated Crown Corporations and Other Entities" in Section 4 of this volume. Particulars of contingent liabilities of enterprise Crown corporations and other government business enterprises are not consolidated with those of the Government but details of these contingencies may be found in Table 9.8 "Contingent Liabilities of Enterprise Crown Corporations and other Government Business Enterprises" in Section 9 of this volume.

Guarantees

Guarantees by the Government include:

- — guarantees of the borrowings of agent enterprise Crown corporations and other government business enterprises;
- — guarantees of certain loans made by agent enterprise Crown corporations;
- — guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector;
- — insurance programs of the Government; and
- — other explicit guarantees.

Losses on loan guarantees are recorded in the accounts when it is likely that a payment will be made to honour a guarantee and when the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations and other government business enterprises are recorded as liabilities for the portion not expected to be repaid directly by these corporations.

Table 11.5 lists the outstanding guarantees and is summarized in Note 16 to the financial statements in Section 2 of this volume.

TABLE 11.5
GUARANTEES BY THE GOVERNMENT AS AT MARCH 31, 2010

	Authorized limit (where applicable)[1]	Contingent liability
	$	$
GUARANTEES BY THE GOVERNMENT—		
Borrowings by enterprise Crown corporations which are agents of Her Majesty		211,453,646,000[2]
Borrowings by other than enterprise Crown corporations—		
From agents—		
Loans to Indians by the Canada Mortgage and Housing Corporation for on-reserve housing	2,200,000,000	1,220,121,230[3]
From other than agents—		
Guarantee programs of the Government—		
Aboriginal economic program		385,367
Canada Student Loans Act	10,781,963,150	50,417,092
Enterprise development program	1,200,000,000	212,300
Farm Improvement Loans Act and *Canadian Agricultural Loans Act*	3,000,000,000	99,088,598
Indian economic development program	60,000,000[4]	661,200
Loans to Indians by approved lenders for on-reserve housing		627,266,719[3]
Regional Aircraft Credit Facility	1,500,000,000	155,531,257
Small Business Loans Act	3,404,301,920	704,904,083
Other explicit loan guarantees—		
National biomass ethanol program	140,000,000	24,960,000
Insurance programs of the Government—		
Accounts administered for the Government by the Export Development Canada—Insurance and related guarantees	20,000,000,000[5]	523,382,967
Insurance against accidents at nuclear installations under the *Nuclear Liability Act*[6]	1,050,000,000	582,259,509
Other explicit guarantees—		
Restructuring of Canadian Third-Party Asset Backed Commercial Paper (Senior Funding Facility)		1,850,000,000
Guarantees under the *Agriculture Marketing Programs Act*—		
Advance Payments Program	5,000,000,000	1,514,846,629
Price Pooling Program		17,761,419
Guarantees to holders of mortgages insured by—	250,000,000,000[7]	
Genworth Financial Mortgage Insurance Company of Canada		1,388,869,876
AIG United Guaranty Mortgage Insurance Company of Canada		77,729,451
PMI Mortgage Insurance Company of Canada		1,061,155
Guarantees under Section 19 of the *Canadian Wheat Board Act*		1,685,791,000[8]
Total gross guarantees	298,336,265,070	221,978,895,852
Less: allowance for losses		534,679,619
Total net exposure under guarantees		221,444,216,233

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(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) Details can be found in Table 9.6 in Section 9 of this volume.

(3) The Department of Indian Affairs and Northern Development has an authorized limit of $2,200 million by Parliament (as shown above), to issue guarantees on loans made by the Canada Mortgage and Housing Corporation (CMHC) and other approved lenders, for housing purposes, and to issue guarantees on loans made by the Farm Credit Canada (FCC) for farming purposes. The contingent liability amounts related to guaranteed loans for On-Reserve Housing include $1,220 million by CMHC and $627 million by other approved lenders.

(4) The maximum aggregate amount that may be paid out of the Consolidated Revenue Fund and/or outstanding as a contingent liability in the current and subsequent years in respect of all guarantees authorized under Indian Affairs and Northern Development Vote L53b, *Appropriation Act No.1, 1970* shall be $60 million. As at March 31, 2010, $27 million had been disbursed in cumulative defaults and there were outstanding contingent liabilities totaling $1 million leaving a free balance of $32 million available to issue further guarantees.

(5) The *Export Development Act* specifies that Export Development Canada (EDC) may enter into contracts of insurance, re-insurance, related guarantees, financing and other agreements up to the authorized limit of $20 billion. In total, EDC has $6.8 billion outstanding against this limit, consisting of $0.6 billion in contingent liabilities and $6.2 billion in financing.

(6) There have been no claims under the *Nuclear Liability Act* since its inception in 1970.

(7) The aggregate limit for all private sector mortgage insurers that have a guarantee with the government is $250 billion.

(8) The Government guarantees the payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board.

International Organizations

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations.

Table 11.6 details the contingent liabilities for international organizations and is summarized in Note 16 to the financial statements in Section 2 of this volume.

TABLE 11.6
INTERNATIONAL ORGANIZATIONS CONTINGENT LIABILITIES

(in millions of dollars)[1]

	March 31/ 2010	March 31/ 2009
NON-BUDGETARY SHARE CAPITAL AND LOANS—		
Callable Share Capital—		
Finance—		
European Bank for Reconstruction and Development	622	772
International Bank for Reconstruction and Development (World Bank)	5,149	6,393
Multilateral Investment Guarantee Agency	47	58
	5,818	*7,223*
Foreign Affairs and International Trade—		
Canadian International Development Agency—		
African Development Bank	1,165	1,209
Asian Development Bank	2,154	2,531
Caribbean Development Bank	50	62
Inter-American Development Bank	7,990	4,876
	11,359	*8,678*
Total	17,177	15,901

[1] Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 2010 (1$USD = $1.0158 CAD; 1SDR = $1.54223 CAD; 1 EUR = $1.372 CAD).

Environmental Liabilities

Remediation of Contaminated Sites

Based on management's best estimates, a liability for the estimated costs related to the remediation of contaminated sites is accrued when the contamination occurs, or when the Government becomes aware of the contamination, and is obligated or likely obligated to incur such costs. As at March 31, 2010, the Government has recorded a liability of $3,493 million for approximately 2,400 sites ($3,220 million in 2009 for approximately 2,000 sites - reclassified).

The Government has estimated possible additional clean-up costs of $1,512 million ($1,538 million in 2009 - reclassified) that are not accrued as these are undeterminable at this time. The change in contingent liabilities related to contaminated sites is due to the additional information gathered during the year which enabled the potential liability for certain sites to be more accurately estimated.

Future Asset Restoration

Based on management's best estimates, a liability of $16 million ($10 million in 2009) has been recorded for likely management and clearance action on approximately 30 unexploded explosive ordnance (UXO) affected sites (10 affected sites in 2009). Management has estimated possible additional clearance costs ranging from $180 million to $524 million that are not accrued as these are undeterminable at this time.

The Government's ongoing efforts to assess contaminated sites and UXO affected sites may result in additional liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These adjustments will be accrued in the year in which they become known.

Claims and Pending and Threatened Litigation

There are thousands of claims and pending and threatened litigation cases outstanding against the Government. The total amount claimed in these actions, including a number where an amount is not specified, and their outcomes are not determinable.

The Government records an allowance for those cases identified as likely to be lost and which can be reasonably estimated. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities. As at March 31, 2010, contingent liabilities for claims and pending and threatened litigation have been estimated to approximate $4,300 million ($5,700 million in 2009). This estimate of possible loss covers only a portion of all claims against the Government. The total contingency relating to pending claims is not determinable. Certain large and significant claims not included in the estimate of contingent liabilities, are described below:

Comprehensive land claims: Comprehensive land claims are negotiated in areas where aboriginal title has not been dealt with by treaty or by other legal methods. In such cases, the claim is based on an aboriginal group's traditional use and occupancy of that land. There are currently 76 comprehensive land claims (76 in 2009) under negotiation, accepted for negotiation or under review. A liability of $3,800 million ($3,500 million in 2009), is estimated for claims that have progressed to a point where quantification is possible. The remaining claims are still in the early stages of negotiations and cannot yet be quantified.

Assessed taxes under objection or appeal: As at March 31, 2010, an amount of $17,102 million ($13,778 million in 2009) of taxes assessed was under objection at Canada Revenue Agency and an amount of $3,509 million ($2,429 million in 2009) was under appeal at either the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada.

Other: In September 1999, the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act* were amended to enable the federal government to deal with excess amounts in the superannuation accounts and pension funds governed by these Acts. The legal validity of these provisions has since been challenged in the Ontario Superior Court of Justice. On November 20, 2007, the Court rendered its decision and dismissed all the claims of the plaintiffs. The plaintiffs appealed this decision to the Ontario Court of Appeal. The outcome of these appeals is not determinable at this time.

Insurance Programs of Agent Enterprise Crown Corporations

An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. The Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, and Export Development Canada currently operate insurance programs as agents of Her Majesty. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis. However, in the event the corporations have insufficient funds, the Government will have to provide financing. The Government expects that all three corporations will cover the cost of both current claims and possible future claims.

Information presented in Table 11.7 has not been audited since the information presented therein is derived from interim financial statements. Additional financial information relating to these corporations may be found in the "*President of the Treasury Board's Annual Report to Parliament - Crown Corporations and Other Corporate Interests of Canada*". Information contained in Table 11.7 is also summarized in Note 16 to the financial statements in Section 2 of this volume.

TABLE 11.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2010

(in millions of dollars)

	Canada Deposit Insurance Corporation(1)		Canada Mortgage and Housing Corporation(2)				Export Development Canada(3)	
			Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund			
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Insurance in force as at reporting date	590,013	512,221	482,328	439,008	302,444	270,379	21,427	23,626
Opening balance of Fund	959	996	7,444	6,487	1,440	324	(3)	(3)
Revenues for the period—								
Premiums and fees	198	92	1,706	1,445	201	120	200	178
Investment income	31	54	641	526	625	2,380		
Other revenues			5	6	4	5		
Total revenues	229	146	2,352	1,977	830	2,505	200	178
Expenses for the period—								
Loss on/provision for claims	300	149	1,120	475			110	329
Interest on borrowing				2	1,338	997		
Administrative expense	30	25	190	194	12	7		
Other expenses (includes taxes)	1	9	289	352	(116)	385		
Total expenses	331	183	1,599	1,023	1,234	1,389	110	329
Net income or (loss) for the period	(102)	(37)	753	954	(404)	1,116	90	(151)
Adjustments			3	3	(59)			
Closing balance of Fund	857	959	8,200	7,444	977	1,440	(3)	(3)
Net claims during the period (4)			569	306	*	*	226	86
Five year average of net claims paid			311	227	*	*	79	41

*Not applicable.

(1) The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to $100,000 per depositor, per institution. The Corporation is funded by premiums assessed against its member institutions.

(2) Canada Mortgage and Housing Corporation (CMHC) administers two funds: the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund (MBSGF). The MIF provides insurance for a fee, to lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by lending institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF is produced as of September 30 of each year. The Corporation determines provisions for claims and unearned premiums at December 31 using valuation factors taking into account new business, claims and interest for the last quarter. The MBSGF supports two CMHC guarantee products: *National Housing Act* (NHA) Mortgage-Backed Securities and Canada Mortgage Bonds. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a guarantee fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of monthly principal and interest to MBS investors who participate in a pool of insured residential mortgages which have been repackaged by the financial institution into investments which can be sold to investors in denominations as low as $1,000. The Canada Mortgage Bond (CMB) program was implemented in 2001. Under this program, bonds are issued by a special purpose trust known as Canada Housing Trust and sold to investors in denominations as low as $1,000. The proceeds of the bonds are used to purchase mortgages packaged into newly issued NHA MBS. Canada Mortgage Bonds of $180,440 million ($160,664 million in 2009) including accrued interest, issued by the Trust carry the full faith and credit of the Government of Canada. The timely payment of semi-annual interest and principal at maturity is guaranteed by the Government of Canada through CMHC.

(3) Export Development Canada (EDC) provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance program has been adequate to provide for the full cost of claims experienced to date and for the cost of future claims established based on previous claims experience. The Corporation does not maintain a separate fund for its insurance program and therefore the balance of the fund is not available. EDC maintains an allowance for claims on insurance which is based on an actuarial review of net loss experience and potential net losses. The balance of the allowance is $543 million ($702 million in 2009).

(4) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

SECTION 12

2009-2010

PUBLIC ACCOUNTS OF CANADA

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